



South African Reserve Bank

Exchange Control Department

2009-10-27

Exchange Control Circular No. 13/2009

Statement on Exchange Control

The attention of Authorised Dealers is drawn to the further steps in the liberalisation of exchange controls announced by the Minister of Finance in the 2009 Medium Term Budget Policy Statement, a copy of an extract of which is attached for ease of reference.

A number of Circulars, in amplification of the foregoing, have also been issued today.



Head of Department

Further relaxation of exchange controls: reducing the cost of doing business

South Africa's financial system proved to be highly resilient during the global financial crisis. Given the strength of our regulatory system and the shift towards a risk-management approach in line with member countries in the G20, government is in a position to announce further reforms to lower the cost of doing business in South Africa, while managing risks in a volatile international environment.

Aligning prudential regulations on financial institutions with G20 commitments

The move to a system of prudential regulation of foreign exposure, supported by a strong financial regulatory framework, contributed to moderating the impact of the global financial crisis on South Africa. The regulations governing foreign exposure of institutional investors were last updated in 2008 and will remain part of the country's framework for financial and macroeconomic stability. Government will, however, take into account appropriate international proposals to strengthen our regulatory framework in alignment with G20 agreements.

Removing red tape on business transactions

Proposed reforms to reduce red tape on business transactions are as follows:

- Promoting regional integration by allowing South African companies to invest in Southern African Development Community (SADC) member states through offshore intermediaries. The relaxation excludes investment in member states that are part of the Common Monetary Area.
- Increasing the current R50 million limit for company applications to undertake outward investment to R500 million. Applications below this limit will be processed by authorised dealers, subject to all existing criteria and reporting obligations.
- Removing the 180-day rule requiring companies to convert their foreign exchange into rand. (South African companies are still required to repatriate export proceeds to South Africa).
- Doing away with the R250 000 limit on advance payments for imports.
- Allowing South African companies to open foreign bank accounts for permissible purposes without prior approval, subject to reporting obligations.
- Replacing the current paper-based monitoring system of exports (Form F178) with a more efficient electronic system in due course.

Further relaxation of limits on individuals

The foreign capital allowance for resident individuals, last adjusted in 2006, has been increased from R2 million to R4 million, and the single discretionary allowance from R500 000 to R750 000.

Removing controls on non-residents

To improve access to domestic credit in the financing of local foreign direct investment (FDI), restrictions on the granting of local financial assistance to affected persons have been further liberalised with the abolition of the 3:1 ratio. This relaxation does not apply to emigrants, the acquisition of residential properties by non-residents, or any other financial transactions – such as portfolio investments, securities lending, hedging or repurchase agreements – by non-residents. In these cases the 1:1 ratio still applies.

The Reserve Bank will provide further details concerning all the above reforms.

Supporting investment and cutting red tape

South Africa continues to welcome foreign direct investment (FDI) and encourages local firms that wish to diversify offshore from a domestic base. Moreover, government recognises the need to modernise the investment framework. In support of these objectives, the National Treasury proposes to improve the current exchange control regulatory framework for approving investments. The key proposals that will form part of the modernised approach will be announced in the 2010 Budget.