

 P O Box 427 Pretoria 0001 South Africa  
 370 Helen Joseph Street Pretoria 0002  
 +27 12 313 3911 / 0861 12 7272  
 www.resbank.co.za



SOUTH AFRICAN RESERVE BANK

File ref. no.: 11/11/11/2

## Record of proceedings of the South African Foreign Exchange Committee virtual meeting held on Wednesday, 23 June 2021, from 14:00 to 15:30

### Record of proceedings no. 02/2021

Members in attendance	Apologies
<p>Zafar Parker (Chairperson), SARB</p> <p>Richard de Roos (Deputy Chairperson), Standard Bank</p> <p>Lucy Mabuza (Secretariat of the SAFXC), SARB</p> <p>Mpumi Ngwenya (Secretariat of the SAFXC), SARB</p> <p>Andries Tshishonga, SARB</p> <p>Aurelia Makgato, SARB</p> <p>Samantha Springfield, SARB</p> <p>Chris Paizis (authorised dealer), Absa Bank</p> <p>Michael Galatis, ACI South Africa</p> <p>Mark Schwartz, ACTSA</p> <p>Gill Raine, ASISA</p> <p>Gary Haylett, BASA</p> <p>Marius de Jongh (observer), FSCA</p> <p>Paul Wilson (interdealer broker), ICAP</p> <p>Brice Parise (authorised dealer), JP Morgan</p> <p>Udesh Moodley (Exchange), JSE Limited</p> <p>Carlos Martins, SAATA</p> <p><i>By invitation:</i></p> <p>Richard Beddow, SAATA</p> <p>Charles Nevhutanda (FinSurv), SARB</p> <p>Ross Hooper (FinSurv), SARB</p> <p>Johan Kruger (FinSurv), SARB</p> <p>Kamogelo Manamela (FinSurv), SARB</p>	<p>Kumeran Govender (authorised dealer), Bidvest Bank</p>

## 1. Overview

The South African Foreign Exchange Committee (SAFXC) discussed:

- 1.1 the presentation on the new Capital Flow Management Framework; and
- 1.2 feedback from SAFXC members.

## 2. Summary of discussions

### 2.1 The presentation on the new Capital Flow Management Framework

2.1.1 The Financial Surveillance Department (FinSurv) of the South African Reserve Bank (SARB) presented on the new Capital Flow Management Framework.

### 2.1.2 Key features of the new Capital Flow Management Framework

- i. The new Capital Flow Management Framework had been developed in consultation with the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD). The new framework marked a change from an application-driven process, and was intended to strengthen the monitoring of financial cross-border flows and reduce tax-evasion risks. Effective implementation of the new framework would require greater collaboration between the Financial Intelligence Centre (FIC), the South African Revenue Service (SARS), the SARB and other financial services law enforcement agencies.
- ii. Applicable regulations would be issued under the Currency and Exchanges Act 9 of 1993.
- iii. Cross-border foreign exchange (FX) activities would still be conducted through authorised dealers (ADs) approved by FinSurv. Other FX market participants (including non-banks) would require the approval of FinSurv in concurrence with the Financial Sector Conduct Authority (FSCA).
- iv. Prudential limits on institutional investors would remain in place, but would be subject to regular reviews by the authorities.
- v. The inward foreign loans criteria and approvals would be reviewed once the

relevant tax amendments would have been finalised.

- vi. South African individuals' single discretionary allowance (SDA) of R1 million for all purposes – including travel, gifts, investments, and donations – remained extant, subject to regular reviews by the authorities.
- vii. South African citizens were allowed to transfer foreign capital of between R1 million and R10 million for investment purposes. Amounts above R10 million required a strict approval process by the relevant authorities, including FIC, FinSurv and SARS.
- viii. The status quo remained on South African citizens exporting currency coins and/or South African banknotes, the import and export of the rand and foreign-currency notes, and the transfer of Krugerrands.
- ix. Inward listing – which involved an approval process for non-resident and South African resident issuers seeking to list shares, bonds, debt and derivative instruments on South African exchanges – was retained. This policy was, however, under review.

2.1.3 The new Capital Flow Management Framework had been issued as a circular for public comments, and was envisaged to be implemented by the end of 2021.

## 2.2 Feedback from SAFXC members

2.2.1 The adoption rate of the Foreign Exchange Global Code (Code) by the buy-side sector across various jurisdictions, including South Africa, remained slow. Locally, the sell-side sector was being encouraged to support the Association of Corporate Treasurers of Southern Africa (ACTSA), the Association for Savings and Investment South Africa (ASISA) and the South African Association of Treasury Advisors (SAATA) in identifying buy-side sector firms and counterparts active in the FX market. Through this initiative, the SAFXC outreach programme would be able to target relevant constituencies, such as treasurers, FX dealers, sales and fixed-income handling currency exposures, as well as the chief executive officers (CEOs) and chief financial officers (CFOs) of buy-side entities.

2.2.2 In addition, the sell-side sector should encourage all treasurer advisors to comply with relevant local regulations and to adopt the Code. The latter could be achieved by insisting that they be signatories of the Code as a prerequisite for any outsourcing

agreement. In March 2018, the SARB had published a media communication indicating that it only conducted FX trades with counterparties who were signatories to the Code.

- 2.2.3 The SAFXC should also emphasise the proportionality of the Code to the buy-side sector. The responsibility and requirements for complying with the Code, so far, had resided predominantly with the sell-side sector. Thus, an improvement in the adoption rates of the Code by the buy-side sector would foster a more level playing field with the sell-side sector and strengthen the buy-side community's voice in the FX market.
- 2.2.4 Market participants would, in future, fully incorporate all the elements of the FX disclosures outlined in the Code in their FX business activities by ensuring clear, relevant, and useful information in any disclosure for the benefit of clients. The standard disclosure cover sheets should incorporate the all-important elements of FX disclosure as outlined in the Code.
- 2.2.5 Members suggested that the Continuous Professional Development (CPD), which formed part of training for the FSCA licensing requirements, should incorporate the principles of the Code. This would be another way of promoting the principles of the Code.
- 2.2.6 SAATA invited the SAFXC to present on the benefits of the Code to its members on Wednesday, 14 July 2021.
- 2.2.7 Feedback was provided on the Global Foreign Exchange Committee's (GFXC) material relating to the three-year review of the Code.
- 2.2.8 The SAFXC would discuss the regulatory gaps pertaining to FX spot transactions in the next SAFXC meeting.

### **3. Date of the next meeting**

The next SAFXC meeting was scheduled for Tuesday, 14 September 2021.