Statement on exchange control

23 February 2000

Issued by Mr T T Mboweni, Governor of the South African Reserve Bank

In his 2000/2001 Budget Speech today, the Minister of Finance has announced further steps in the gradual process of exchange control liberalisation.

The new relaxations are:

South African corporates

In terms of existing policy, corporates wishing to invest in countries outside the Common Monetary Area are, on application, allowed to transfer up to R250 million from South Africa per new investment into member countries of the Southern African Development Community and up to R50 million per new investment elsewhere. Corporates will now, on application, be allowed to use part of their local cash holdings to finance up to 10 per cent of approved new foreign investments where the cost of these investments exceeds the current limits.

In addition to the aforegoing, corporates wishing to invest abroad may now also apply for permission to make use of corporate asset/share swaps to finance these investments.

South African corporates will now be allowed to utilise part of their local cash holdings to repay up to 10 per cent of outstanding foreign debt raised to finance foreign investments, provided the foreign debt has been in existence for a minimum period of two years.

Primary listings offshore

Consideration will be given to requests by major corporates to establish primary listings offshore. The following guidelines will, *inter alia*, be taken into account:

- Foreign expansion is necessary and integral to the company, given its size and the nature of its business;
- a significant proportion of revenue is derived from outside South Africa, making the company in effect an international concern;
- there are clear monetary and balance of payments benefits to South Africa;
- a substantial advantage can be demonstrated over alternative approaches to raising the required capital;
- the direct and indirect South African assets may not be encumbered;
- South Africa's reserves may not be negatively impacted by an outflow of dividends or any other funds;
- the corporate involved must commit itself to matching any dividends declared to the foreign holding company with dividends paid out to South African shareholders, to preserve balance of payments neutrality; and
- all the South African operations and assets of the South African corporate or the proceeds thereof, as well as any other cash holdings, must remain in South Africa and may only be exported from South Africa if payable pro rata to the non-resident shareholders of the listed holding company with Exchange Control approval.

South African institutional investors

It has been decided to retain the current asset swap dispensation available to qualifying institutions but to change the definition of the 15 per cent limit from total assets employed in South Africa to 15 per cent of total assets.

For unit trusts through unit trust management companies not only is the definition of assets changed but the limit is also increased to 20 per cent of total assets under management.

Furthermore, long-term insurers, pension funds and unit trusts through unit trust management companies may now also apply to avail themselves of foreign currency transfers in 2000 of up to 10 per cent of the net inflow of funds during the 1999 calendar year, to acquire foreign portfolio investments subject to the overall respective limits referred to.

South African resident private individuals

Private individuals who are over 18 and taxpayers in good standing have been permitted to invest abroad since 1 July 1997. A total amount of approximately R9,4 billion has been transferred from South Africa, to date. The current limit of R500 000 is now increased to R750 000 per person.

Miscellaneous

South African residents travelling abroad on holiday or business currently have the travel allowance endorsed in their passports. This requirement is, with immediate effect, dispensed with. Residents travelling abroad will now be permitted a travel allowance of a maximum of R130 000 per person of twelve years and older and R40 000 per child under the age of twelve years, per calendar year.

Companies and individuals will, where appropriate, need to continue to satisfy the authorities that their tax affairs are in good standing.

Various other limits will also be adjusted.