Financial Surveillance Department

2013-12-20

Exchange Control Circular No. 24/2013

South African Institutional Investors: African Allowance

Authorised Dealers are advised that institutional investors are currently allowed to invest an additional five per cent of their total retail assets by acquiring foreign currency denominated portfolio assets in Africa directly through foreign currency transfers from South Africa or indirectly by acquiring approved inward listed investments, excluding inward listed shares, based on foreign reference assets or issued by foreign entities, listed on the JSE Limited.

In addition to the above, Authorised Dealers are advised that in order to further promote investments into Africa, institutional investors may now apply to the Financial Surveillance Department through an Authorised Dealer to acquire indirect African exposure through a foreign registered fund mandated to invest into Africa. The fund should be mandated to invest at least 75 per cent of funds under management into Africa.

Applications will also be considered in instances where institutional investors obtain indirect African exposure through investments in instruments issued by African entities, which are listed on non-African exchanges, to raise funds earmarked for use in Africa.

In view of the aforementioned, Authorised Dealers are advised of the following amendments to Section B.2(B)(iii)(i) of the Exchange Control Rulings:

The first paragraph has been deleted and substituted with the following:

"Institutional investors are allowed to invest an additional five per cent of their total retail assets by acquiring foreign currency denominated portfolio assets in Africa directly through foreign currency transfers from South Africa or indirectly by acquiring approved inward listed investments, excluding inward listed shares, based on foreign reference assets or issued by foreign entities, listed on the JSE Limited. (See Section H.(A) of the Rulings for the definition of inward listed shares.)"

A new third and fourth paragraph has been inserted as follows:

"Institutional investors may apply to the Financial Surveillance Department through an Authorised Dealer to acquire indirect African exposure through a foreign registered fund mandated to invest into Africa. The fund should be mandated to invest at least 75 per cent of funds under management into Africa. A copy of the mandate/prospectus must accompany such application.

Applications will also be considered in instances where institutional investors obtain indirect African exposure through investments in instruments issued by African entities which are listed on non-African exchanges, to raise funds earmarked for use in Africa."

The final paragraph has been deleted and substituted with the following:

"All institutional investors should ensure that their investments in African portfolio assets are also in compliance with the Financial Services Board's requirements and regulations. The provisions of Section B.2(B)(v) of the Rulings should also be adhered to.

The transactions executed in terms of the five per cent African allowance where foreign currency is transferred from South Africa must be reported via the Reporting System."

Authorised Dealers are furthermore advised that a definition of “Africa” has been added to Section A.1 of the Exchange Control Rulings as follows:

“**AFRICA** means any country forming part of the African Union.”

Replacement pages of the Exchange Control Rulings and the Index pages incorporating the relevant amendments are attached hereto.

Deputy General Manager