



South African Reserve Bank

Financial Surveillance Department

2013-02-27

Exchange Control Circular No. 7/2013

South African holding company for African and offshore operations

Authorised Dealers are advised that in support of the ongoing strategy to promote South Africa as a hub for regional investment, listed entities on the JSE Limited may establish one subsidiary in South Africa to hold African and offshore operations, which will not be subject to foreign exchange restrictions. This will incentivise companies to manage their African and offshore operations from South Africa, maximising the benefits to the South African economy.

In view of the aforementioned, a new subsection (vii) has been added to Section B.2(B) of the Exchange Control Rulings:

“(vii) South African holding company for African and offshore operations

(a) Entities listed on the JSE Limited may establish one subsidiary (“HoldCo”) to hold African and offshore operations which will not be subject to any exchange control restrictions. HoldCo will, however, be subject to the following conditions:

(aa) Registration with the Financial Surveillance Department;

(bb) HoldCo must operate as a South African tax resident and be incorporated and effectively managed and controlled in South Africa;

- (cc) Authorised Dealers may authorise transfers from the parent company to the HoldCo up to Rand 750 million per calendar year. Additional amounts may be considered on application to the Financial Surveillance Department;
- (dd) HoldCo will be allowed to freely raise and deploy capital offshore, provided that these funds are without recourse to South Africa. Additional domestic capital and guarantees will be allowed to fund *bona fide* foreign direct investments in the same manner as the current foreign direct investment allowance;
- (ee) HoldCo will be allowed to operate as a cash management centre for South African entities. Cash pooling will be allowed without any restrictions and local income generated from cash management will be freely transferable; and
- (ff) HoldCo may choose its functional currency and operate a foreign currency account and a Rand denominated account for operational expenses."

Replacement pages of the Exchange Control Rulings incorporating the relevant amendments as well as those outlined in Exchange Control Circular No. 6/2013 of 2013-02-27 are attached hereto.



Head of Department