



South African Reserve Bank

Financial Surveillance Department

2020-08-13

Exchange Control Circular No. 7/2020**Transactions with Common Monetary Area residents**

Flowing from representations made, Authorised Dealers and Authorised Dealers in foreign exchange with limited authority are advised that foreign currency may now be sold to Common Monetary Area (CMA) residents residing and working in South Africa, provided the CMA resident can substantiate that the value of such funds is reasonable in relation to the income generating activities in South Africa.

Furthermore, it is advised that CMA residents who travel overland to and from other CMA countries through other Southern African Development Community countries may be accorded foreign currency equivalent of an amount not exceeding R25 000 per calendar year. This allocation will not form part of the permissible travel allowance for residents.

It should be noted that CMA investors who directly approach Authorised Dealers for the purpose of acquiring foreign asset exposure, would first have to obtain an approval letter from the relevant central bank or an appropriate mandated body of the CMA country.

CMA residents may enter into Rand transactions with South African institutional investors. The requirement to obtain an approval letter from the relevant authority of the central bank or an appropriate mandated body of the CMA country is not applicable in respect of the discretionary business of the South African institutional investor.

Authorised Dealers should note that any exposure to CMA countries must be included in the calculation of the macro-prudential limit in terms of section B.2(I)(iv) of the Authorised Dealer Manual.

The following amendments have been made in the Currency and Exchanges Manual for Authorised Dealers:

Section A.3(E)

The entire sub-section has been amended as follows:

- (i) The application of exchange control within the CMA is governed by the Multilateral Monetary Agreement.
- (ii) Lesotho, Namibia and eSwatini have their own monetary authorities as well as their own legislation.
- (iii) CMA country currencies consist of the following: Rand, Lesotho Maloti, eSwatini Emalangeni and Namibian Dollars.
- (iv) Investments and transfers of funds in Rand from/to South Africa to/from other CMA countries do not require the approval of the Financial Surveillance Department.
- (v) There are no foreign exchange restrictions between banks of the CMA countries in respect of cross-border transactions amongst themselves.
- (vi) Authorised Dealers may not enter into foreign exchange transactions with residents of other CMA countries. If such requests are received, the clients should be referred back to their bankers in the CMA country concerned, except for (viii) below.
- (vii) Any exposure to CMA country should be included in the calculation of the

macro-prudential limit in terms of section B.2(I)(iv) of the Authorised Dealer Manual.

- (viii) As an exception to (vi) above, Authorised Dealers may:
- (a) sell foreign currency to:
 - (aa) foreign diplomats, accredited foreign diplomatic staff as well as students with a valid student card from other CMA countries while in South Africa;
 - (bb) CMA residents in South Africa, to cover unforeseen incidental costs whilst in transit, subject to viewing a passenger ticket confirming a destination outside the CMA;
 - (cc) CMA residents working and residing in South Africa, provided the CMA resident can substantiate that the value of such funds is reasonable in relation to their income generating activities in South Africa; and
 - (dd) CMA residents who travel overland to and from other CMA countries through a SADC country up an amount not exceeding R25 000 per calendar year. This allocation does not form part of the permissible travel allowance for residents; and
 - (b) enter into foreign exchange or hedging transactions with residents of other CMA countries provided that:
 - (aa) the transaction is in respect of the CMA member's own business;
 - (bb) an approval letter has been obtained from the relevant authority of the Central Bank or an appropriate mandated body of the CMA country. Such a letter must be viewed by an Authorised Dealer to ensure that the transaction is concluded on the particular basis as formally sanctioned by the relevant CMA authority; and

- (cc) information on the nature of transactions and the party with whom such transactions have been entered into is submitted by the Authorised Dealers to the Financial Surveillance Department on a quarterly basis.

- (ix) CMA residents may enter into Rand transactions with South African institutional investors. The requirement to obtain an approval letter from the relevant authority of the Central Bank or an appropriate mandated body of the CMA country is not applicable in respect of the discretionary business of the South African institutional investor.

The following amendments have been made in the Currency and Exchanges Manual for Authorised Dealers in foreign exchange with limited authority:

Section B.1(A)(ii)(d)(aa)(1)

The subsection has been deleted and substituted with the following:

- (1) CMA residents who travel overland to and from other CMA countries through a SADC country up an amount not exceeding R25 000 per calendar year. This allocation does not form part of the permissible travel allowance for residents;

Section B.1(B)(ii)(d)(aa)

The subsection has been deleted and substituted with the following:

- (aa) ADLAs may permit foreign nationals who are employed in South Africa on a contract basis, including CMA residents working and residing in South Africa, to transfer abroad funds that have been earned in South Africa provided that:
 - (1) the foreign nationals can substantiate the source from which they have acquired such funds;
 - (2) the value of such funds is reasonable in relation to their earnings in South Africa; and

- (3) in addition to the normal CDD requirements provided for in the RMCP of the individual ADLA, the ADLAs must view a valid passport and temporary residence permit prior to effecting transfers in this regard.

Section B.2(A)(x)

The subsection has been deleted and substituted with the following:

- (x) As an exception to (ix) above, ADLAs may accord foreign currency to foreign diplomats, accredited foreign diplomatic staff, students with a valid student card from other CMA countries whilst in South Africa as well as CMA residents working and residing in South Africa, provided the CMA resident can substantiate that the value of such funds is reasonable in relation to their income generating activities in South Africa. Also see sections B.1(A)(ii)(d)(aa)(2), (3) and B.1(B)(ii)(d)(aa) of the ADLA Manual.

The amended Manuals and guideline documents may be accessed on the SARB website: www.resbank.co.za by following the links: Home>Regulation and supervision>Financial surveillance and exchange controls>Currency and exchanges documents.

Head of Department: Financial Surveillance