



14/6/2\_2022

2022-02-23

## **Exchange Control Circular No. 11/2022**

### **Foreign direct investment South African companies**

We refer to Exchange Control Circular No. 4/2022 and the announcement made by the Minister of Finance in Annexure F of the 2022 Budget Review, wherein it was mentioned that with effect from 2022-02-23, the foreign direct investment limit for companies investing funds offshore that can be processed by Authorised Dealers has been increased from R1 billion to R5 billion, provided the prevailing investment conditions, tax obligations and reporting requirements are met. Foreign direct investments where the total cost of such investments exceeds R5 billion per investment, require the prior written approval of the Financial Surveillance Department.

In addition, excess income or profits of offshore branches and offices of South African companies may be retained offshore, subject to the current annual reporting requirements being met.

The following amendments to the Currency and Exchanges Manual for Authorised Dealers (Authorised Dealer Manual) are outlined:

#### **Section B.2(C)(i)**

The limit of R1 billion has been increased to R5 billion and the heading of the subsection reads as follows:

- (i) Foreign direct investments not exceeding R5 billion per applicant company

### **Section B.2(C)(i)(a)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (a) Authorised Dealers may approve requests by mandated state-owned companies, as defined in Schedule 2 of the Public Finance Management Act, 1999 (Act No.1 of 1999) and companies wishing to make bona fide new outward foreign direct investments into companies, branches and offices outside the CMA, including requests that fall outside their current line of business, where the total cost of such investments does not exceed R5 billion per company per calendar year.

### **Section B.2(C)(i)(f)(dd)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (dd) expansion of the foreign target entity's business is permitted, provided that such expansion is financed within the R5 billion foreign direct investment dispensation or alternatively without recourse to South Africa;

### **Section B.2(C)(i)(f)(jj)(1)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (1) the amount to be remitted will not result in the applicant exceeding the R5 billion foreign direct investment dispensation; and

### **Section B.2(C)(i)(f)(kk)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (kk) requests to transfer the normal monthly running expenses of existing buying and/or selling offices established by local merchants may be approved by the Authorised Dealers within the foreign direct investment limit of R5 billion. Where existing buying and/or selling offices levy a charge for their services in the form of commissions, foreign currency to cover this charge may be made available, provided that:

#### **Section B.2(C)(i)(f)(II)**

The subsection has been amended as follows:

- (II) approved foreign branches and offices of South African companies are exempted from the provisions of Regulation 6 in respect of foreign earned profits and income with effect from 2022-02-23 and such funds may be retained abroad, subject to annual reporting;

#### **Section B.2(C)(ii)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (ii) Foreign direct investments exceeding R5 billion per applicant company per calendar year

#### **Section B.2(C)(ii)(a)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (a) Foreign direct investments outside the CMA by mandated state-owned companies, as defined in Schedule 2 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) and companies, including requests that fall outside their current line of business, where the total cost of such investments exceeds

R5 billion per investment, require the prior written approval of the Financial Surveillance Department.

**Section B.2(C)(ii)(e)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (e) Authorised Dealers must inform their clients of the following conditions that are applicable to investments exceeding R5 billion per applicant company per calendar year:

**Section B.2(C)(iii)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (iii) Foreign portfolio investments by companies not exceeding R5 billion per applicant company

**Section B.2(C)(iii)(a)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (a) Authorised Dealers may approve requests by companies wishing to make bona fide new outward foreign portfolio investments into companies, branches and offices outside the CMA, including requests that fall outside their current line of business, where the total cost of such investments does not exceed R5 billion per company per calendar year.

### **Section B.2(C)(iii)(h)**

The limit of R1 billion has been increased to R5 billion and the subsection reads as follows:

- (h) Any transaction for an amount exceeding R5 billion per applicant company must be referred to Financial Surveillance Department for prior approval.

The amended Authorised Dealer Manual and guidelines document may be accessed on the South African Reserve Bank website, [www.resbank.co.za](http://www.resbank.co.za) by following the links: Home>What we do>Financial Surveillance>Financial Surveillance documents.

**Head of Department: Financial Surveillance**