



14/6/2_2025

2025-06-06

Exchange Control Circular No. 10/2025

Hedging – Agricultural commodities

We refer to Exchange Control Circular No. 2/2025 wherein interested parties were invited to submit comments on the draft circulars following the announcement made by the Minister of Finance in Annexure E of the 2025 Budget Review. Following the inputs received from interested parties, the final circular is hereby issued.

In a continuous effort to reduce red tape, Authorised Dealers may now allow resident agricultural commodity producers (agribusiness companies whose core business is the buying, selling or trading of raw materials or primary products as well as the management of commodities from origin through to the final customer) with firm commitments to hedge their foreign exposures on foreign commodity exchanges and/or a recognised member or broker of the foreign commodity exchange, provided suitable documentary evidence is presented and subject to the correct reporting to the Financial Surveillance Department of the South African Reserve Bank.

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

Section D.1(G)(iv)

The sub-section has been amended to read as follows:

- (iv) With the exception of subsection (v)(b)(bb) below, residents who wish to hedge directly with an offshore counterparty require the prior written approval of the Financial Surveillance Department.

Section D.1(G)(v)(b)(bb)

A new subsection has been added, and the existing subsection has been renumbered.

- (bb) Agricultural commodities

- (1) Authorised Dealer may allow resident agricultural commodity producers (agribusiness companies whose core business is the buying, selling or trading of raw materials or primary products as well as the management of commodities from origin through to the final customer) and end-users with firm commitments to hedge their foreign exposures on foreign commodity exchanges and/or a recognised member or broker of the foreign commodity exchange, subject to the following conditions:
- (i) Local producers and end users of agricultural commodities may only enter into hedging contracts abroad in order to induce certainty regarding their foreign exposure risks.
 - (ii) No speculative deals may be entered into, therefore the applicant should provide details of the underlying transactions and confirmation that the hedging relates to a firm underlying commitment or accrual.
 - (iii) Should it be necessary for the local producer/end user to transfer any funds abroad in respect of losses incurred, payment may only be effected against substantiating documentation, e.g. invoices from foreign broker/agent providing full details/description of hedging transaction and/or details of losses incurred.
 - (iv) The requirements of Exchange Control Regulation 6 must also be adhered to, when applicable.
 - (v) At the end of each 12-month period, the Financial Surveillance Department must be furnished with a summary of the transactions entered into reflecting, inter alia, amounts transferred abroad and amounts received, together with confirmation that no speculative positions were taken during the period under review.

The amended Authorised Dealer Manual may be accessed on the South African Reserve Bank website, www.resbank.co.za, by following the path: Home>What we do>Financial Surveillance>Financial Surveillance documents.

Head of Department: Financial Surveillance