

30 October 2020

EXCHANGE CONTROL NOTE

A. INTRODUCTION

The Minister of Finance announced further Exchange Control reforms during his 2020 Medium Term Budget Policy Statement on 28 October 2020.

The Financial Surveillance Department of the South African Reserve Bank issued two Exchange Control Circulars on 29 October 2020, dealing with the following reforms outlined below.

B. NEW EXCHANGE CONTROL CIRCULARS

1. Reclassification of inward listed debt and derivative instruments as well as exchange traded funds referencing foreign assets

The remaining foreign classified debt and derivative instruments as well as exchange traded funds referencing foreign assets, that are inward listed on a South African exchange, traded and settled in Rand, will be reclassified as domestic.

The approval process in respect of the inward listing of all instruments on a South African exchange remains extant.

2. Foreign borrowings by South African corporates

South African corporates, excluding State Owned Companies, may now borrow offshore by way of a bond and/or note issuances with recourse to South Africa, without prior approval from the Financial Surveillance Department.

Recourse to South Africa includes a guarantee from South Africa and issuance of shares in the South African entity.

C. **LOOP STRUCTURES FOR FOREIGN DIRECT INVESTMENT PURPOSES**

Whilst the Minister of Finance announced that the full “Loop Structure” restriction has been lifted to encourage inward investments into South Africa, subject to reporting to the Financial Surveillance Department as and when the transaction is finalized, this reform will only be effective as from 1 January 2021 for companies, including private equity funds, provided that the entity is a tax resident in South Africa.

An Exchange Control Circular dealing with the lifting of these restrictions will be issued in due course.

Charles R van Staden
Exchange Control Consultant
Tel: 010 015 5807
E-mail: cvstaden@coxeats.co.za