



**South African Reserve Bank**

**Financial Surveillance Department**

2017-02-23

**Exchange Control Circular No. 5/2017**

**Statement on exchange control**

The attention of Authorised Dealers and Authorised Dealers in foreign exchange with limited authority is drawn to the further exchange control reforms announced by the Minister of Finance in the 2017 Budget, a copy of an extract of which is attached for ease of reference.

Circulars, in amplification of the foregoing, will be issued in due course.

  
**Head of Department: Financial Surveillance**

## ■ Modernising capital flow management

### Capital account management

During 2017, the National Treasury will undertake a review of its capital flows management framework. South Africa's framework will be reviewed against best practice in other developing economies, including Columbia, Mexico and Turkey, and fast-growing markets such as South Korea.

### Inward-listing review

Inward listings are listings by foreign entities on South African exchanges. The National Treasury will begin consulting with interested parties on new inward listings, loops and trusts. The intention is to discourage tax inversion, a practice where companies relocate their legal domicile to lower tax jurisdictions while retaining material assets and operations in the country.

### Intellectual property

Government proposes that companies and individuals no longer need the Reserve Bank's approval for standard intellectual property transactions. It is also proposed that the "loop structure" restriction for all intellectual property transactions be lifted, provided they are at arms-length and at a fair market price. Loop structure restrictions prohibit residents from holding any South African asset indirectly through a non-resident entity.

### Exchange-traded funds referencing foreign assets

Government proposes that local collective investment scheme management companies registered with the Financial Services Board and regulated under the Collective Investment Scheme Control Act (2002) be allowed to list exchange-traded funds referencing foreign assets on South African exchanges. These funds will not be subject to macroprudential limits on amounts that may be invested offshore. South African institutional investors and authorised dealers will be allowed to invest in such funds, subject to their respective macroprudential limits. These funds will be classified as foreign assets for prudential purposes. The Reserve Bank has released circulars on these policy measures.