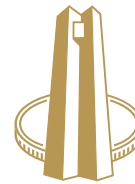


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SOUTH AFRICAN RESERVE BANK
Financial Surveillance Department

14/6/2_2024

2024-11-26

Exchange Control Circular No. 14/2024

Customer foreign currency accounts - Settlement, on an agent basis, in foreign currency between resident entities

We refer to Exchange Control Circular No. 2/2024 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 2024 Budget Review. Following the inputs received from interested parties, the final circular is hereby issued.

It was mentioned in the 2024 Budget Review that trade, in particular regional trade, is hampered by onerous red tape and approvals. Some of the red tape relates to applications which must be considered by the Financial Surveillance Department of the South African Reserve Bank.

Following the above, Authorised Dealers will now be permitted to process requests by local agents of exporters of goods from South Africa to settle export proceeds in foreign currency over customer foreign currency (CFC) accounts of resident exporters.

In addition, Authorised Dealers will be permitted to process requests by resident entities, excluding state-owned companies, purchasing goods from local suppliers that have to import certain or all of the components from abroad, to settle only the cost of the imported component(s) in foreign currency over the respective CFC accounts.

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

Section E.(B)(v)

A new sub-section has been added as follows:

- (v) Settlement, on an agent basis, in foreign currency between resident entities over CFC accounts
 - (a) Authorised Dealers may allow local agents of exporters of goods from South Africa to settle export proceeds over CFC accounts of resident exporters, subject to the following conditions:
 - (aa) The applicant company must act as an agent for the exporter.
 - (bb) All settlements in foreign currency for goods exported must be over CFC accounts.
 - (cc) At the time of settling the export proceeds over the CFC account, the onus rests on the local agent to present an Authorised Dealer, where the agent's CFC account is kept, with the local exporter's invoices reflecting the net amount (less the agent's commission) that are to be settled to the local exporter's CFC account concerned.
 - (dd) Kindly note that the local agent may not fund its own CFC account from South Africa and where applicable, may in need only hedge the exchange rate exposure in respect of the commission portion to be earned from the export proceeds.
 - (ee) The producer of the goods exported may, provided it is its intention to convert the export proceeds to Rand, cover forward its own exchange rate exposure.
 - (ff) When permitting the transfer of funds between CFC accounts at different Authorised Dealers, such transfers may only be made by

means of the appropriate SWIFT client transfer message type as explained in section E.(B)(ii)(a)(gg) of the Authorised Dealer Manual.

- (b) Resident entities, excluding state-owned companies, purchasing goods from local suppliers that have to import certain or all of the components from abroad, may settle only the cost of the imported component(s) in foreign currency over the respective CFC accounts, subject to the following conditions:
 - (aa) The applicant company must act as an agent and/or facilitator for the local end-user and/or importer in respect of the importation of the goods.
 - (bb) Settlement may not be in respect of any other domestic value-added process, for example installation fees, domestic enhancement of the imported goods before delivery, domestic transportation fees, domestic customisation of imported goods, etc.
 - (cc) The provisions of section E.(B) of the Authorised Dealer Manual must be adhered to.
 - (dd) Only the party that will have to convert Rand to foreign currency to settle such transactions may be permitted to hedge its exposure in respect of the particular transactions. The party facilitating the importation of the goods will not be permitted to enter into hedging transactions in respect of the foreign commitments resulting from such transactions.
- (c) Authorised Dealers should ensure that all other provisions of the Authorised Dealer Manual regarding imports, exports and hedging are fully complied with. In this regard, where an import transaction is being processed and limited documentation is available such as only an invoice, the transaction may be finalised.

The amended Authorised Dealer Manual and guidelines document 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.

Acting Head of Department: Financial Surveillance