

Exchange Control Department

2010-02-17

Exchange Control Circular No. 7/2010

South African Private Equity Funds

Authorised Dealers are advised that in support of the broader strategy to make South Africa the gateway into Africa, private equity funds mandated to invest into Africa may apply to Exchange Control for an annual approval, subject to certain conditions.

In view of the aforementioned, a new subsection (v) has been added to Section B.2(B) of the Exchange Control Rulings.

“(v) South African Private Equity Funds

- (a) Private equity funds that are members of the South African Venture Capital Association, mandated to invest into Africa, may apply to Exchange Control for an annual approval to invest into Africa. The following information must accompany such applications:
 - (aa) A copy of the local en-commandite partnership’s mandate to invest into Africa or in the case of a local fund running parallel with an offshore fund, a copy of the co-investment agreement between the local and foreign partnership;
 - (bb) cash flow projections for a 12 month period indicating the amount of capital to be exited from South Africa for investment purposes into Africa; and

- (cc) confirmation that the local private equity fund will obtain a minimum of 10% of the voting rights in the respective investments into Africa.

It must be borne in mind that institutional investors must be aware that in terms of the look through principle, any offshore investment held indirectly via the local private equity fund must be marked off against the respective foreign portfolio investment allowances. The Financial Services Board Regulations governing the permissibility of these investments as part of their portfolios, must also be complied with."

Replacement pages of the Exchange Control Rulings, incorporating the above-mentioned amendments as well as those outlined in Exchange Control Circular No. 6/2010 dated 2010-02-17, are attached hereto.

Head of Department