



South African Reserve Bank

Financial Surveillance Department

2011-12-07

Exchange Control Circular No. 22/2011

Reclassification of inward listed shares on the JSE Limited

Authorised Dealers are referred to the 2011 Medium Term Budget Policy Statement when the Minister of Finance announced that all inward listed shares on the JSE Limited, traded and settled in Rand, will be classified as domestic for the purpose of trading on the exchange and will be included in its indices.

In order to provide clarity on the definition of "shares" and shed light on which inward listed instruments would qualify for the above-mentioned treatment, Authorised Dealers are advised that the following instruments will fall within the definition of "shares" for this dispensation:

Product	Details
Ordinary Shares/equities including A,B and N Shares	Shares which are listed on the JSE and settled in Rand.
Preference shares/ Debentures	If the company is already listed on the JSE and the debenture is compulsory convertible.
Linked Units/ Participatory Interest/ Real Estate Investment Trusts (REITS) and Loan Stock Companies	If the company is already listed on the JSE primary or secondary.

Exchange Traded Funds (ETFs)	An instrument which tracks a basket of shares, as long as they track an index or shares that is made up of companies already listed on the JSE. This must be valid for all the shares in the index.
Warrants	As long as they represent an underlying share or basket of shares already listed on the JSE.
Share Instalments	As long as they represent an underlying share or basket of shares already listed on the JSE.
Derivatives - Equities Indices	A Future or Option which is listed against an index that represents companies already listed on the JSE.
Derivatives – Single Stock Futures and Options	A Future or Option which is listed against a single security of a company which is already listed on the JSE.
Derivatives – Dividend Futures and Options	A Future or Option on a dividend of a company which is already listed on the JSE.
Krugerrand coins	Listed and traded on JSE in Rand.
Current Commodity Derivatives (i.e. White Maize)	Listed and traded on JSE in Rand.

Institutional investors and Authorised Dealers may now invest in such “shares” without affecting their permissible foreign exposure limits.

Requests for products to be offered to investors referencing these “shares” on an over-the-counter (“OTC”) basis, are excluded irrespective whether the shares are classified as domestic.

Foreign entities wishing to inward list their shares on the JSE Limited will still require prior approval of the Financial Surveillance Department.

In view of the aforementioned, the following amendments have been made to the Exchange Control Rulings:

Section B.2(B)(iii)(i)

The first paragraph has been deleted and substituted with the following:

“Institutional investors are allowed to invest an additional five per cent of their total retail assets by acquiring foreign currency denominated portfolio assets in Africa through foreign currency transfers from South Africa or by acquiring approved inward listed investments, excluding inward listed shares, based on foreign reference assets or issued by foreign entities, listed on the JSE Limited or the Bond Exchange of South Africa, respectively. (See Section H.(A) for the definition of inward listed shares.)”

Section B.2(B)(iv)(b)

A final sentence has been added as follows:

“Inward listed shares are excluded from the definition of foreign exposure. (See Section H.(A) for the definition of inward listed shares.)”

Section H.(A)

A final sentence has been added at the end of the first paragraph:

“Institutional investors are allowed to invest in inward listed shares without affecting their permissible foreign portfolio investment allowance.”

A final sentence has been added at the end of the fourth paragraph:

“Authorised Dealers are allowed to invest in inward listed shares without affecting their macro-prudential limit.”

A new final paragraph has been added as follows:

“INWARD LISTED SHARES mean the following products listed on the JSE Limited.”

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Warrants	As long as they represent an underlying share or basket of shares already listed on the JSE.
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Section H.(B)(ii)

The final sentence has been deleted.

Section H.(B)(iii)

The entire subsection has been deleted and substituted with the following:

"African" debt encompasses debt securities issued and listed on BESA by African Governments, African Public Entities, African Local Authorities, African Development Agencies and by non-African development institutions where the funds raised are earmarked for use in Africa."

Section H.(C)(ii)

The entire second paragraph has been deleted and substituted with the following:

"South African institutional investors, Authorised Dealers, corporates, trusts, partnerships and private individuals may accept the shares without restriction."

Section H.(C)(v)

The entire subsection has been deleted and substituted with the following:

"South African institutional investors, Authorised Dealers, corporates, trusts, partnerships and private individuals may exercise their rights in terms of a rights offer without restriction."

Section H.(C)(vi) and (vii)

The entire subsections have been deleted.



Section H.(C)(viii)

The subsection has been renumbered to read "(vi)".

Replacement pages of the Exchange Control Rulings incorporating the relevant amendments are attached hereto.


Deputy General Manager