



South African Reserve Bank

Financial Surveillance Department

2014-02-27

Exchange Control Circular No. 11/2014

South African holding company for African and offshore operations

Authorised Dealers are advised of the following amendments to the Exchange Control Rulings:

Section B.2(B)(vii)(a)(cc)

The entire sub-section has been deleted and substituted with the following:

“Authorised Dealers may authorise transfers from the parent company to the HoldCo up to R2 billion per calendar year. Up to this amount, there will be no restriction on transfers in and out of the HoldCo, provided that such transfers are not undertaken to avoid tax. Additional amounts of up to 25 per cent of the listed company’s market capitalisation will be considered on application to the Financial Surveillance Department, provided that there are demonstrated benefits to South Africa.”

Section B.2(B)(vii)(a)(dd)

The second sentence has been deleted and substituted with the following:

“Additional domestic capital and guarantees will be allowed to fund *bona fide* foreign direct investments in the same manner as outlined in (cc) above.”

Section B.2(B)(vii)(a)

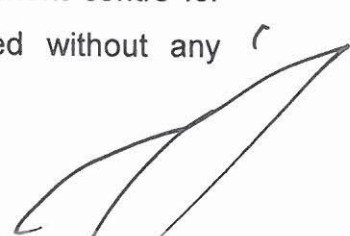
A new sub-section (gg) has been added as follows:

- “(gg) applications for the listing of the HoldCo and joint ventures will be considered by the Financial Surveillance Department.”

Section B.2(B)(vii)

A new sub-section (b) has been added as follows:

- “(b) Unlisted entities may establish one subsidiary (“HoldCo”) to hold African and offshore operations which will not be subject to any exchange control restrictions. HoldCo will, however, be subject to the following conditions:

- (aa) Registration with the Financial Surveillance Department;
 - (bb) HoldCo must operate as a South African tax resident and be incorporated and effectively managed and controlled in South Africa;
 - (cc) Authorised Dealers may authorise transfers from the parent company to the HoldCo up to R1 billion per calendar year. Additional amounts may be considered on application to the Financial Surveillance Department;
 - (dd) HoldCo will be allowed to freely raise and deploy capital offshore, provided that these funds are without recourse to South Africa. Additional domestic capital and guarantees will be allowed to fund *bona fide* foreign direct investments in the same manner as the current foreign direct investment allowance;
 - (ee) HoldCo will be allowed to operate as a cash management centre for South African entities. Cash pooling will be allowed without any
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restrictions and local income generated from cash management will be freely transferable; and

- (ff) HoldCo may choose its functional currency and operate a foreign currency account and a Rand denominated account for operational expenses."

Replacement pages of the Exchange Control Rulings incorporating the relevant amendments are attached to Exchange Control Circular No. 12/2014 of 2014-02-27.



Head of Department

