



South African Reserve Bank
Financial Surveillance Department

2018-02-21

Exchange Control Circular No. 4/2018

Foreign direct investments and foreign portfolio investments outside the Common Monetary Area by South African companies

Following the Minister of Finance's announcement in the 2018 Budget Speech, Authorised Dealers are advised that the current minimum requirement to obtain at least 10 per cent of the foreign target entity's voting rights and /or shareholding has been abolished. This necessitates a distinction between foreign direct investments and foreign portfolio investments, the latter now being defined as a category of international investment that covers investment in equity and debt securities, excluding any such instruments that are classified as foreign direct investment.

Foreign portfolio investment reflects investment in which the investor owns less than 10% of the voting rights in the foreign target entity. This applies to companies, including private equity funds, provided that the entity is a tax resident in South Africa.

A new subsection, category and definition have been added to the Currency and Exchanges Manual for Authorised Dealers ('Authorised Dealer Manual'). The new categorisation is a requirement for statistical purposes.

In view of the aforementioned, various changes were made to section B.2(C) and B.2(G) of the Authorised Dealers Manual.

The amended Manuals and guideline documents may be accessed on the SARB



website: www.reservebank.co.za by following the links: Home>Regulation and supervision>Financial surveillance and exchange controls>Currency and exchanges documents.



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