



South African Reserve Bank
Financial Surveillance Department

2019-10-31

Exchange Control Circular No. 18/2019

South African private individuals: loop structures

Authorised Dealers are advised that restrictions on loop structures pertaining to private individuals have been relaxed up to 40 per cent. Authorised Dealers are advised of the following amendments to the Currency and Exchanges Manual for Authorised Dealers:

Section B.2(B)(i)

Subsections (h), (i), (j), (k) and (l) have been amended as follows:

- (h) Authorised Dealers must bring to the attention of their clients that they may not enter into any transactions whereby capital or the right to capital will be directly or indirectly exported from South Africa (e.g. may not enter into a foreign commitment with recourse to South Africa). However, private individuals may raise loans abroad to finance the acquisition of foreign assets without recourse to South Africa.
- (i) Private individuals may also not utilise funds or any other authorised foreign assets to enter into a transaction or a series of transactions to, directly or indirectly through any structure or scheme of arrangement, acquire shares or any other assets/interests in a CMA country ('loop structures'). Similarly, such funds may not be re-introduced as a loan to a CMA resident.
- (j) As an exception to the above, private individuals are permitted individually or collectively to acquire up to 40 per cent equity and/or voting rights, whichever is the higher, in a foreign target entity, which may in turn hold investments and/or

make loans into any CMA country. This dispensation will only apply in respect of loop structures formed after 2019-10-30.

- (k) Existing loop structures (i.e. created by individuals prior to 2019-10-30) and/or loop structures where the 40 per cent shareholding is exceeded will still have to be regularised with the Financial Surveillance Department.
- (l) Furthermore, unintentional 'loop structures' created with authorised foreign capital invested with non-resident asset or fund managers, who invest in foreign companies that have CMA assets/interests and/or offshore global investment funds that directly or indirectly hold CMA investments over which the South African investor has no control, are permitted.

Subsections (k) and (l) have been renumbered (m) and (n) respectively.

The amended Manuals and guideline documents may be accessed on the South African Reserve Bank website: www.reservebank.co.za by following the links: Home>Regulation and supervision>Financial surveillance and exchange controls>Currency and exchanges documents.



Head of Department: Financial Surveillance