



South African Reserve Bank
Financial Surveillance Department

2019-10-31

Exchange Control Circular No. 20/2019

Hedging foreign currency exposures - active currency management

Authorised Dealers are advised that the active currency management dispensation is increased from six months to 12 months. The following amendments have been made to the relevant sections of the Currency and Exchanges Manual for Authorised Dealers (Authorised Dealer Manual):

Section A.3(B)(xvi)

Reference to 'six months' in the above-mentioned subsection is deleted and replaced with '12 months'.

- (xvi) It is the responsibility of the Authorised Dealer selling the foreign currency, and not that of the paying away bank, to ensure that the laid-down procedures and requirements are complied with. These duties may not be assigned to another Authorised Dealer. The only exception to this rule relates to forward contracts or foreign currency option contracts not exceeding 12 months to maturity in section D.1(B) of the Authorised Dealer Manual.

Section D.1(B)

Reference to 'six months' in the above-mentioned heading is deleted and replaced with '12 months'.

- (B) Foreign currency against Rand in respect of forward contracts or foreign exchange option contracts not exceeding 12 months to maturity (active currency management).

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Section D.1(B)(i)(b)

Reference to 'six months' in the above-mentioned subsection is deleted and replaced with '12 months'.

- (b) While cover may not be granted for a period extending beyond 12 months, contracts may be entered into and exited at the client's discretion and need not run until the commitment or accrual has been met.

Section D.1(C)

Reference to 'six months' in the above-mentioned heading is deleted and replaced with '12 months'.

- (C) Foreign currency against Rand in respect of forward contracts or foreign exchange option contracts exceeding periods longer than 12 months.

Section D.2(B)(i)(a)(aa)(3)

The subsection has been amended as follows:

- (3) in respect of a non-resident party actively managing foreign exchange risk exposure.

Section D.2(B)(i)(a)(bb)

Reference to 'six months' in the above-mentioned heading is deleted and replaced with '12 months'.

- (bb) While cover may normally not be granted for a period extending beyond 12 months, contracts may be entered into and exited at the client's discretion and need not run until settlement of the commitment or accrual.

Section D.2(B)(i)(a)(ee)

Reference to 'six months' in the above-mentioned heading is deleted and replaced with '12 months'.

- (ee) In respect of hedging contracts for periods longer than 12 months, suitable documentation confirming that an underlying Rand denominated commitment or accrual is in place, is viewed on the settlement date.

The amended Authorised Dealer Manual 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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