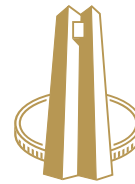


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SOUTH AFRICAN RESERVE BANK
Financial Surveillance Department

14/6/2_2020

2020-10-29

Exchange Control Circular No. 16/2020

South African corporates – foreign borrowings

Authorised Dealers are advised that in support of the ongoing strategy to modernise the current capital flow management framework, South African corporates excluding State Owned Companies, may borrow offshore by way of bond and/or note issuances with recourse to South Africa, without prior approval from the Financial Surveillance Department. Recourse to South Africa include, e.g., a guarantee from South Africa and issuance of shares in the South African entity.

In view of the aforementioned, a new subsection (E) has been added to section I.3 of the Currency and Exchanges Manual for Authorised Dealers (Manual).

(E) Corporate foreign debt issuance

- (i) Authorised Dealers may approve requests for foreign bond and note issuances by corporates with recourse to South Africa, e.g., a guarantee from South Africa and the issuance of shares in the South African entity, subject to the following conditions:
 - (a) South African private individuals may only participate in the foreign bond and/or note issuances utilising their foreign capital allowance. Similarly, qualifying South African institutional investors who utilise their respective prudential limits may participate in the foreign bond and/or note issuances.
 - (b) The coupon payable must be market related in the jurisdiction where the foreign bond and/or notes are issued.

- (c) Where the foreign bond and/or note proceeds are being deployed offshore, all costs and expenses associated with the bond and/or note issuances as well as the servicing of the coupon payments and repayments of the principal amount must be serviced from offshore.
- (d) Where the foreign bond and/or note proceeds are introduced into South Africa, the transaction must be recorded via an Authorised Dealer on the Loan Reporting System.
- (e) Within 30 days of the bond and/or note issuances offshore, the Financial Surveillance Department requires to be advised of the uptake, the amount of capital raised and the all-inclusive cost of the bond and/or notes issued.
- (f) The Financial Surveillance Department annually requires to be furnished with a report indicating the balance outstanding on the principal amount of the debt instrument.
- (g) Should any guarantee issued from South Africa be called up, the Financial Surveillance Department should immediately be advised of the circumstances that gave rise thereto.

The amended Manual as well as guidelines document may be accessed on the South African Reserve Bank website: www.resbank.co.za by following the links: Home>Regulation and supervision>Financial surveillance and exchange controls>Currency and exchanges documents.

Acting Head of Department: Financial Surveillance