
MEDIA STATEMENT

PUBLICATION FOR COMMENT ON THE DRAFT FOREIGN MEMBER FUNDS FRAMEWORK

The National Treasury (NT) today publishes for comment the Foreign Member Funds Framework to be declared by the Minister of Finance in terms of the Collective Investment Schemes Act (Act 45 of 2002).

In the 2014 Budget, the Minister of Finance announced the introduction of an alternative class of investment funds called *foreign member funds (FMF)* in order to promote South Africa as a financial management hub, particularly for investments into Africa. Subsequent to the announcement, a working group consisting of officials from the Financial Services Board (FSB) and South African Reserve Bank (SARB), working with the National Treasury (NT) has prepared a framework document for the introduction of FMFs in South Africa, which is now ready for public consultation.

The current dispensation allows South African institutional investors to invest offshore subject to various foreign investment limits, depending on the type of institutional investor. Retirement funds and the non-market linked business of insurance companies can invest up to 30 percent of their total retail assets and collective investment schemes, asset managers and market-linked business of insurers can invest up to 40 percent of their total retail assets. An additional 10 percent is allowed for investments into Africa.

The proposed FMF framework aims to create a favourable regulatory environment that will facilitate the flow of foreign capital through South Africa and thereby make it seamless and attractive for foreign funds to be managed and invested into the rest of the continent and beyond through South Africa.

The FMFs will be piloted through the collective investment structure under the Collective Investment Schemes Control Act (Act No 45 of 2002) ("CISCA"). Section 63 of CISCA empowers the Minister to declare (by Notice in the Gazette) a specific type of business to be a collective investment scheme to which the Act will apply. The declaration will also include those provisions of the Act that will be applicable to FMFs.

Public comments received during this consultation period will assist the drafting and finalisation of the regulatory standards as well as the draft Notice for the declaration

of the FMF as a collective investment scheme in terms of section 63 of the Collective Investment Schemes Control Act.

Comments on the draft framework document of the FMF are invited and should be sent to Mr Keegan Edwards, Deputy-Director for Prudential Regulation, at Financial.Policy@treasury.gov.za by **30 April 2018**.

The NT, SARB and FSB will be convening meetings with interested stakeholders.

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