
MEDIA STATEMENT

Capital flow management framework update: Clarification of reclassification of inward listed instruments

National Treasury, the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (FSCA) intend to review Exchange Control Circular 15/2020 issued by the SARB, following the announcement by the Minister of Finance in the Medium Term Budget Policy Statement (MTBPS) Speech on 28 October 2020.

The review is limited to providing clarification on the scope of changes to the announcement related to the reclassification of inward listed instruments. This follows enquiries by various stakeholders having different interpretations on the extent that the Circular affects the foreign investment limits applicable to institutional investors, inter alia, retirement funds, collective investment schemes and insurers.

The MTBPS announcement aims to create an enabling environment that makes it easier for foreign investors to invest in South Africa, and support South Africa's growth as an investment and financial hub for Africa. The National Treasury would like to emphasize that the announced reforms to the capital flow management framework do not alter the prudential framework currently applicable to all regulated funds, including retirement funds, collective investment schemes and insurance.

The Circular issued on 29 October 2020 dealing with the reclassification of inward listed instruments is therefore suspended with immediate effect, to reduce the scope for ambiguity related to compliance with the prudential framework for regulated funds. An amended Circular will be issued following a period of public consultations. All approvals granted on the basis of Circular 15/2020 are also suspended. The dispensation before Circular 15/2020 remains extant.

Stakeholders and the public are invited to submit comments to sarbportfolio@resbank.co.za by 15 December 2020 on proposals to amend the Circular in question. Input is also required on the selling of a derivative or ETF where the underlying foreign asset is issued by a company not listed on a South African exchange.

**Issued by the National Treasury, the South African Reserve Bank and the
Financial Sector Conduct Authority**
Date: 24 November 2020