national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA
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TO ACCOUNTING OFFICERS and CHIEF FINANCIAL OFFICERS OF SCHEDULE 3A AND 3C PUBLIC ENTITIES

INVESTMENT OF SURPLUS FUNDS BY PUBLIC ENTITIES LISTED IN SCHEDULE 3A AND 3C OF PUBLIC FINANCE MANAGEMENT ACT, 1999

1. In terms of section 53(3) of the Public Finance Management Act, 1999 (Act No 1 of 1999 - PFMA), a public entity listed in Schedule 3A or 3C to the PFMA may not accumulate surpluses unless they obtain prior approval of the National Treasury.

2. Treasury Regulation 31.3.3 states that “unless exempted by the National Treasury, public entities that are listed in Schedule 3A or 3C of the Act must invest surplus funds with the Corporation for Public Deposits (CPD).”

3. In April 2003, the National Treasury granted public entities an exemption from investing surplus funds with the CPD. Subsequently, public entities were able to invest their funds with financial institutions in terms of their investment policy as stipulated in Treasury Regulation 31.3.1, however, the National Treasury still had to approve the opening of the bank accounts in terms of section 7(2)(a) of the PFMA.

4. In June 2009, the National Treasury opened a portfolio of accounts (Inter - Governmental Cash Coordination - IGCC) for public entities at the CPD. The CPD portfolio assists government with better coordination of the broader public sector funds. The CPD portfolio also assist public entities to mitigate liquidity risk as investors have an opportunity to withdraw funds from the account at any time to meet their liquidity needs. Moreover, it assists to mitigate credit and counter-party risks to public entities. Additionally, the surplus cash in the portfolio becomes available to the National Government for bridging finance when required.

5. In light of the above, the National Treasury has withdrawn the letter dated 22 April 2003, which exempted Schedule 3A and 3C public entities from investing their surplus funds in the CPD effective from signature date of this letter. Unless exempted by the National Treasury, all Schedule 3A and 3C public entities are therefore required to invest their surplus funds in the CPD account at the South African Reserve Bank (SARB). Schedule 3A and 3C public entities must proceed to open a CPD account with the SARB and ensure that all uninvested surplus funds and each maturing investment with financial institutions are transferred into the CPD account.

6. Schedule 3A and 3C public entities that wish to be exempted from investing their surplus funds with the CPD must apply for an exemption. The request for an exemption must be accompanied by a motivation including among others:

   (a) Proof of the approval by the National Treasury to retain surpluses;
   (b) Relevant provisions of legislation that prohibits the public entity from investing their surplus funds in the CPD;
   (c) Investment policy approved by the accounting authority; and
   (d) A list of intended financial institutions with their investment rating status.

7. A written communication on the intention to open a CPD account with the SARB must be submitted to the National Treasury for approval and record purposes. Information and guidance on how to open a CPD account at the SARB can be directed to:

   National Treasury
   Office of the Accountant-General
   Ms Lizette Labuschagne
   Director: NRF and RDP
   Email: Lizette.Labuschagne@treasury.gov.za

Yours sincerely

Signed by:Tshepiso Moahloli
Signed at:2021-09-14 12:26:05 +02:00
Reason:Witnessing Tshepiso Moahloli

Moahloli

TSHEPISO MOAHLOLI
DEPUTY DIRECTOR-GENERAL: ASSET AND LIABILITY MANAGEMENT DIVISION
DATE: 14/09/21