



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



PRESS RELEASE

THE REGULATION OF HEDGE FUNDS IN SOUTH AFRICA

Declaration by the Minister of Finance and Notice determining requirements for hedge funds (“the Determination”)

The National Treasury and Financial Services Board hereby provide and issue today the signed Declaration Notice from the Minister of Finance and the final Determination from the Registrar of Collective Investment Schemes.

This release follows the Minister’s announcement in his 2015 Budget Speech and the Budget Review (Annexure D) that the regulation of hedge funds will be strengthened this year through the declaration of their business as a collective investment scheme from 1 April 2015.

The Determination is in line with international practices, and will be reviewed and updated as these standards develop, which would include market conduct standards to ensure cost-effectiveness and standards on leverage.

A tiered approach is adopted by the Determination, with the establishment of two types of hedge funds; one for retail investors and the other for qualified investors. The two types of hedge funds will be regulated differently, with the Retail Hedge Funds (RHF) regulated more strictly than the Qualified Investor Hedge Funds (QIHF), yet with both providing sufficient investor protection.

The Determination, through existing tax legislation, will also accord duly registered and regulated hedge funds with the same “flow through” tax dispensation accorded to collective investment schemes; i.e. investors in RHF and QIHF will be taxed the same on amounts distributed to them upon 12 months of their accrual or, in the case of interest, their receipt. The relevant tax provisions are contained in Section 25BA of the Income Tax Act No 58 of 1962. Further, as announced in the 2015 Budget, tax amendments will be considered this year to minimise any inadvertent tax consequences due to the restructuring of regulated hedge funds.

Given the relative complexity of hedge funds and the recent issuing of the Determination, hedge funds will not qualify as Tax Free Savings Accounts at this stage.

The Notice and Determination are available on the National Treasury and FSB websites, at www.treasury.gov.za and www.fsb.co.za. Queries can be addressed to Mr Udesch Naicker at the Financial Services Board, at email address fsb.hedgefundqueries@fsb.co.za or per facsimile to (012) 346 6533.

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