THE LOWDOWN ON EXCHANGE CONTROL

For investors looking to send money outside of the country, there are a few elements that they need to consider when it comes to foreign exchange control and the South African Reserve Bank regulations.
Essentially the South African foreign exchange market is governed by Exchange Control Regulations set out by the South African Reserve Bank. More commonly known as the SARB, the Reserve Bank controls the flow of currency out of South Africa.

Getting funds approved

The Reserve Bank controls and oversees all money leaving the country by nominating a number of authorised dealers or banks that regulate the flow of currency on their behalf. In order to send money out of the country, all funds have to be either directly or indirectly approved by the Reserve Bank via exchange control regulations.

While it is not entirely unique to South Africa, there are very few countries throughout the world that have control regulations over the flow of money in or out of the country. In this country, all transactions that flow in or out of South Africa are affected by the exchange control regulations - regardless of the amount that is transferred or who the sender or recipient is.

Get better rates

Due to the effect of bulking transfers, currency trading companies that trade via authorised foreign exchange dealers are able to offer better rates and do not have to charge money transfer service fees. This is a huge advantage for investors who are looking to move large amounts of money in and out of the country.

There are a number of key points of exchange control regulations that investors need to keep in mind:

- It is applicable to all transactions no matter the size
- No resident may effect a transfer without prior approval

- No company or legal entity may effect a transfer without prior approval Only authorised dealers are allowed to effect a currency transfer
- Outward payments may only be made for permissible reasons and under conditions that are approved by the authorised dealers on behalf of the Reserve Bank
- All payments made to foreign parties must be reported to the Reserve Bank
- There are set amounts for personal transfers in the form of allowances that must be adhered to.

So how do these points affect individuals? Well, essentially the exchange control regulations dictate how much and under what circumstances an individual may transfer money out of the country. It is important to bear in mind however, that the exchange control regulations apply to South African residents, not citizens or permanent residence holders. Therefore if you are considered a resident for exchange control purposes, the regulations will be applicable.

The permissible reasons for transfers abroad include the following:

- Monetary gifts and loans
- Donations to missionaries
- Maintenance transfers
- Travel allowance
- Study allowance
- R1 million foreign capital allowance
- R4 million individual capital allowance

Just as with individual transfers, payments made by companies to a foreign party are also covered by the regulations. Similar to individuals, companies are also required to justify why they need to pay money outside of the country and need to seek the approval of the Reserve Bank – no payment to a foreign entity is exempt from the regulations. Understanding the exchange regulation guidelines will help investors to follow the correct procedures when transferring money.

Those looking to invest internationally should seek expert counsel to ensure they choose the most efficient, cost effective and legal method to do so.

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