

## Media Release

Association for Savings and Investment South Africa (ASISA)

26 November 2020

### **ASISA welcomes the public consultation process on the classification of inward listed instruments**

Following the Medium Term Budget Policy Statement (MTBPS) Speech on 28 October 2020 by Minister Tito Mboweni, the South African Reserve Bank (SARB) issued Exchange Control Circular 15/2020. The SARB circular announced that “all the remaining foreign classified debt and derivative instruments as well as exchange traded funds referencing foreign assets, that are inward listed on a South African exchange, traded and settled in Rand, will be reclassified as domestic.”

On Friday, 13 November 2020, the Financial Sector Conduct Authority (FSCA) issued a statement informing stakeholders that “the inward listing of all instruments on a South African exchange remains extant”, that “no presumptions pertaining to Financial Sector Conduct laws should be formed on the reclassification” and that further guidance will be provided.

According to Leon Campher, CEO of the Association for Savings and Investment South Africa (ASISA), these developments meant that portfolio managers were unsure of how the changes should be applied. A number of ASISA members therefore requested ASISA to urgently seek clarity.

Campher points out that ASISA and its members have always been in support of exchange control relaxation. “The SARB circular was positive in that it removed the inconsistent treatment of inward listed instruments depending on whether they were equity, debt, ETFs or derivatives. However, pension funds are still required to comply with prudential requirements applicable to their investments, namely Regulation 28.”

Campher says ASISA therefore engaged with the FSCA on behalf of member companies to ask for clarity. “At no point did ASISA demand suspension of the above mentioned circular. Our letter to the FSCA, which has now been shared widely, clearly states that ASISA was requesting urgent guidance. Our request was made a week after the FSCA had already made it clear that the inward listing classification of instruments listed on a South African exchange and the application in financial sector laws would remain until further notice.”

On Tuesday this week a statement was issued by National Treasury, the SARB and the FSCA announcing the suspension of the Circular to “reduce the scope for ambiguity related to compliance with the prudential framework for regulated funds” and to allow for public consultation.

“We believe that this is the correct approach as it will allow all stakeholders to make representations. ASISA is in the process of constituting a working group, which will consist of representatives from all interested member companies, and we will submit their majority and minority views.”

Campher adds that: “We are aware that one of our member companies feels aggrieved by our request for guidance, but we believe that this was the responsible approach and in the best interest of investors. The reality is that there is more at stake than just the views of asset managers. Prudential regulations affect a wide ecosystem that includes the trustees of retirement funds who have a responsibility towards members of retirement funds to ensure that their investment portfolios comply with the prudential regulations. Ultimately, clear regulation protects the ultimate investors whose interests should be paramount.”

**Ends**

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**Issued on behalf of:**

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*ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.*