

MARKET NOTICE

Number: 591/2020
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 6 November 2020

SUBJECT: RECLASSIFICATION OF INWARD LISTED DEBT, DERIVATIVE INSTRUMENTS AND EXCHANGE
TRADED FUNDS REFERENCING FOREIGN ASSETS

Name and Surname: Valdene Reddy
Designation: Director of Capital Markets

Dear Market Participants,

The JSE's proposals, outlined in a JSE-Intellidex position paper, advocating certain amendments to the exchange control framework, were positively received by National Treasury and the South African Reserve Bank, and were included in the reforms to the capital flow management framework announced by the Minister of Finance in the Medium Term Budget Policy Statement ('MTBPS') with further details provided in an [Explanatory Note](#).

The JSE-Intellidex position paper proposed three areas of reforms:

a) Consistent treatment of inward listed instruments

Institutional investors have been required to treat inward listed shares as domestic, whereas inward listed debt, derivatives and exchange-traded funds have been treated as foreign;

b) Listing of non-ZAR denominated instruments

Currently all listed instruments in South Africa, are required to be listed in ZAR. Multi-currency listings will provide the opportunity for investors to invest in non-ZAR denominated assets in South Africa, rather than externalizing capital to enable offshore exposure; and

c) Non-ZAR Collateral for derivative exposures

Foreign investors currently have to convert to ZAR to post collateral for derivatives exposures. Permitting non-ZAR collateral will improve the competitiveness of South African markets in attracting international investment flows.

To give effect to certain of the Minister's announcements (see proposal (a) above), the Financial Surveillance Department of the SARB ('SARB FSD') published [Exchange Control Circular No. 15/2020](#), on 29 October 2020, advising *"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"*.

This means that **all** instruments currently listed and traded on the JSE across all markets are classified as 'domestic', with effect from 29 October 2020.

Any proposed listing of an inward-listed instrument (i.e. security or instrument referencing foreign assets) will continue to be subject to the prior approval of SARB FSD and the JSE will continue to report transactions in inward-listed instruments, in terms of the current arrangements.

The JSE is currently reviewing the technical implications of the changes to the inward-listed regime and will communicate any impacts through a service hotline.

National Treasury will be establishing a technical working group of regulators, industry associations and other stakeholders to identify measures to position South Africa as a gateway into Africa, and to determine a road map to enable, amongst other initiatives, the listing and trading of non-ZAR securities and the acceptance of non-ZAR collateral for derivative exposures. An indicative timeline for finalisation of the road-map is early 2021.

Should you have any queries regarding this notice, please contact inwardlistedqueries@jse.co.za

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notice-and-circulars>