South Africa **Yearbook** 2018/19

Finance

National Treasury's legislative mandate is based on the Constitution of the Republic of South Africa of 1996, which calls for the establishment of a national treasury to ensure transparency, accountability and sound financial controls in the management of the country's public finances.

This role is further elaborated in the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999). The department is mandated to:

- promote national Government's fiscal policy and the coordination of its macroeconomic policy;
- ensure the stability and soundness of the financial system and financial services;
- coordinate intergovernmental financial and fiscal relations;
- manage the budget preparation process; and
- enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities, and constitutional institutions.

The Medium Term Budget Policy Statemnent (MTBPS) is a government policy document that communicates to Parliament and the country the economic context in which the forthcoming budget will be presented, along with fiscal policy objectives and spending priorities over the relevant three-year expenditure period.

The MTBPS is an important part of South Africa's open and accountable budget process. It empowers Parliament to discuss and shape government's approach to the budget. The Money Bills Amendment Procedure and Related Matters Act, 2009 (Act 9 of 2009) requires government to table the MTBPS in Parliament at least three months before the National Budget is presented.

The National Development Plan (NDP) charts a growth trajectory to reduce poverty and inequality, and envisions a country in which citizens have the capabilities required to access available opportunities equitably.

These capabilities include education and skills, decent accommodation, nutrition, safe communities, social security and transport, facilitated by a capable State and a growing, resilient economy.

Government's 2014–2019 Medium Term Strategic Framework (MTSF) directs it to invest in infrastructure development, create jobs, transform South Africa to a low-carbon economy and bring about social transformation and unity. In the current tight fiscal environment, National Treasury will continue to channel resources towards the critical outcomes of the NDP and the MTSF.

The global economic crisis has caused a deceleration in economic growth, and South Africa's low gross domestic product (GDP) continues to place the fiscus under considerable pressure. This compels National Treasury to be vigilant in managing competing demands on public funds.

South Africa continues to confront a challenging economic environment in which global growth is slowing and trade tensions are mounting. The medium-term economic outlook has been revised down, with GDP growth forecast to reach 1.5% in 2019, rising to 2.1% in 2021. Weak economic performance and residual problems in tax administration have resulted in arge revenue shortfalls. The deteriorating financial position of state-owned companies (SOCs) has put additional pressure on the public finances.

Relative to the 2018 Medium Term Budget Policy Statement (MTBPS), departments' budget baselines have been reduced by R50.3 billion, with roughly half of this amount relating to compensation. These reductions are offset by provisional allocations of R75.3 billion over the next three years, mainly for Eskom's reconfiguration. As a result, the expenditure ceiling is increased by R16 billion over the next three years.

Government remains committed to managing the budget deficit and containing public debt at sustainable levels. Changes to the medium-term expenditure framework result in the main budget deficit widening to 4.7% of GDP in 2019/20 and then narrowing to 4.3% of GDP by 2021/22. As a percentage of GDP, gross loan debt increases over the next three years and stabilises at 60.2% in 2023/24, which is marginally above the 2018 MTBPS estimates.

Economic growth is projected to improve moderately from 1.5% in 2019 to 2.1% in 2021. In the longer term, the country requires higher and more inclusive growth to address unemployment and poverty. Government has begun implementing growth-enhancing reforms in line with the President's economic stimulus and recovery plan. Additional steps to strengthen policy certainty, improve the effectiveness of infrastructure spending and rebuild public institutions will encourage private-sector investment and bolster confidence.

Entities

A total of 16 entities report to the Minister of Finance through governance arrangements that give them autonomy but also enable them to align their strategies with government policy.

Nine of these entities receive transfers from National Treasury. The remaining seven are self-funded and generate their own revenue. Each entity develops and reports on its own strategic and corporate plan.

Entities receiving transfers:

- Accounting Standards Board
- Financial Intelligence Centre (FIC)
- Government Technical Advisory Centre
- Independent Regulatory Board for Auditors
- Office of the Ombud for Financial Service Providers
- Office of the Pension Funds Adjudicator
- South African Revenue Service (SARS)
- Co-operative Banks Development Agency (CBDA)
- Financial and Fiscal Commission (FFC).

Entities not receiving transfers:

- Development Bank of Southern Africa (DBSA).
- Financial Services Board (FSB).
- Government Pensions Administration Agency.
- Land and Agricultural Development Bank of South Africa.
- Public Investment Corporation (PIC) Limited
- Sasria Limited
- South African Airways (SAA).

Budget framework

National Treasury's total budget over the medium term is R2.4 trillion, with transfers to provincial governments for the provincial equitable share accounting for 66.6% (R1.6 trillion) of total expenditure. These transfers increase at an average annual rate of 7.2%, from R505.6 billion in 2019/20 to R578.6 billion in 2021/22, due to increases approved by Cabinet in the provincial equitable share amounting to R2.5 billion over the MTEF period.

The increases in the provincial equitable share over the MTEF period are aimed at improving the capacity of provincial treasuries to manage municipal interventions and roll out provincial infrastructure, increasing capacity in the health sector for the medical interns training programme, and sector internships, and for facilitating provincial governments' social protection and community development function.

The department's second largest spending area is servicing government's debt. In this regard, Cabinet has approved increases amounting to R29.8 billion over the medium term to cater for higher debt service costs. The department anticipates spending R673.7 billion over the MTEF period to service government's debt. Distributing the general fuel levy to metropolitan municipalities is the third largest cost driver, amounting to R42.4 billion over the MTEF period.

Consolidated government expenditure, which includes the main budget, social security funds and public entities (but not SOCs) is set to grow at 7.6% per year, reaching R1.94 trillion in 2020/21.

To address the significant increase in government's contingent liabilities, over the MTEF period, the National Treasury plans to develop a framework for reducing the number of government guarantees issued to public entities and improving the risk exposure from such guarantees. The department also plans to continue financing government's gross borrowing requirements in domestic and international capital markets, and maintaining prudent cash management to ensure that government is able to meet its financial obligations. Spending on these activities amounts to a projected R346.4 million over the medium term.

The Office of the Chief Procurement Officer will continue to monitor government procurement and identify malpractices that result in procurement irregularities. The process to finalise the draft Public Procurement Bill will also be enhanced in 2019/20. Once effected, the legislation will introduce a series of governance reforms to the contemporary public procurement process and improve access to opportunities for small, medium and micro enterprises. Implementation of the strategic procurement framework will be extended to local government and state-owned companies over the MTEF period; and the e-education procurement and delivery management standard to guide stakeholders through procurement and delivery management processes is currently being developed, to be completed in 2019/20. Spending on activities related to government procurement processes amounts to a projected R668.3 million over the medium term.

National Treasury projects real GDP growth of 1.8% in 2019 and 2.1% in 2020.

The global economy continues to provide a supportive environment for expanded trade and investment.

Government continues to address the problems that have eroded domestic confidence, such as corruption and poor governance at several SOCs. The promise of improved political and policy certainty has provided a boost to investment and the rand.

Despite these positive signs, significant risks remain to economic and fiscal projections. Government is working to boost economic growth, promote more rapid investment to create employment, and stabilise the precarious finances of state-owned companies.

Medium Term Strategic Framework 2014 – 2019

The MTSF is structured around 14 priority outcomes, covering the focus areas identified in the NDP, namely:

- Quality basic education.
- A long and healthy life for all South Africans.
- Safety, and sense of safety, for all people in South Africa
- Decent employment through inclusive growth.
- A skilled and capable workforce to support an inclusive growth path.
- An efficient, competitive and responsive economic infrastructure network.
- Vibrant, equitable, sustainable rural communities contributing towards food security for all.
- Sustainable human settlements and improved quality of household life.
- A comprehensive, responsive and sustainable social protection system.
- Responsive, accountable, effective and efficient local government.
- Protected and enhanced environmental assets and natural resources.
- An efficient, effective and development-oriented public service.
- A diverse, socially cohesive society with a common national identity.
- A better South Africa contributing to a better Africa and a better world.

Restructuring the electricity sector

Government's immediate focus is to address the substantial risks that Eskom poses to the economy and the public finances. In its current form, South Africa's state-owned power utility is not financially sustainable, nor can it meet the country's electricity needs.

The 2018 State of the Nation Address (SoNA) emphasised the urgent need to restructure the electricity sector, including separating Eskom into three divisions. The depth of the financial crisis at Eskom requires government to support the utility's balance sheet, with amounts of R23 billion per year provisionally allocated over the medium term. These amounts will allow Eskom to service its debts and meet redemption requirements, while making resources available for urgent operational improvements.

Establishing a more competitive electricity sector will improve business and consumer confidence, encourage private investment and reduce upward pressure on prices.

Over time, this reform will encourage the expansion of renewable energy sources in the country's energy mix. To date, government's renewable energy power producer programme has procured 6 422MW of electricity from 112 independent power producers.

International and regional cooperation

The New Development Bank (NDB) was established in 2014 to strengthen cooperation among the Brazil, Russia, India, China and South Africa (BRICS) group of countries and complement the efforts of multilateral and regional financial institutions for global development. As at 2018/19, South Africa made capital contributions to the bank amounting to R14.1 billion. Over the medium term, the department expects to make further capital contributions amounting to R13.5 billion.

Thus far, the NDB has approved US$680 million to fund South Africa's development initiatives in the energy, transport and logistics sectors. In addition, approximately US$1.5 billion per year is available for funding the country's infrastructure build programme over the medium term.

To facilitate regional cooperation, compensation to member countries of the Common Monetary Area for the use of the rand as currency in Namibia, Lesotho and Swaziland amounts to a projected R2.7 billion over the medium term.

Strengthening regulation in the financial sector

Over the medium term, the department aims to finalise proposals for tax policy amendments to meet government's revenue requirements and eliminate tax loopholes to improve fairness in the tax system. Recent amendments have included the introduction of the health promotion levy, which discourages the consumption of sugary beverages; and the publication of the draft Carbon Tax Bill for public comment and its introduction in Parliament. Spending on these activities amounts to a projected R100 million over the medium term in the Tax Policy subprogramme in the Economic Policy, Tax, Financial Regulation and Research programme.

The Financial Sector Regulation Amendment Bill and Financial Matters Amendment Bill were published for public comment in 2018/19. These bills provide for the licencing of state banks, the orderly curatorship and resolution of banks in distress, and the establishment of a deposit insurance scheme at the Reserve Bank. These bills will be supported through parliamentary processes in 2018/19 and 2019/20. To streamline regulations applicable to financial institutions, a new law for the proportionate regulation of the market conduct of all institutions in the financial sector will also be developed over the medium term. Spending on these activities amounts to a projected R79.7 million over the MTEF period in the Financial Sector Policy subprogramme in the Economic Policy, Tax, Financial Regulation and Research programme. .

Supporting sustainable employment

The Jobs Fund was launched in 2011 with a total operating budget of R9 billion to create 150 000 permanent jobs by 2023.

This involves the use of public money to catalyse innovation and investment on behalf of a range of economic stakeholders in activities that contribute directly to enhanced employment creation in South Africa.

To address the challenge of unemployment, South Africa requires high rates of sustained economic growth. The country's macro-economic policy environment, infrastructure asset base, schooling system and regulatory frameworks are all key to growth. However, improving and reforming these factors is a long-term process.

The Jobs Fund does not intend to tackle these long-term, structural causes of low growth and unemployment on its own.

Numerous government initiatives are already tasked with parts of that challenge. Nor does the Jobs Fund aim to replicate or substitute these initiatives; rather it presents an opportunity to complement them.

These funding interventions will seek to overcome some of the barriers to job creation that have been identified. Some of these relate to demand for labour, some to the supply of labour and some to the broader institutional environment.

The Jobs Fund has been designed specifically to overcome these barriers by providing public funding through four "funding windows" – Enterprise Development; Infrastructure Investment; Support for Work Seekers and Institutional Capacity Building.

Within the four identified broad windows, the Jobs Fund seeks to stimulate good ideas, risk-taking and investment to discover new ways of working, where the costs and risks may be unknown, and where the pro-poor impact, principally in the form of sustainable job creation, may be significantly larger than with conventional approaches.

At its core, the Jobs Fund seeks to operate as a catalyst for innovation and investment in activities which directly contribute to sustainable job creation initiatives, as well as long term employment creation.

As at 30 September 2018, the fund's 124 implementing projects reported that 116 498 new permanent jobs were created, and an additional 51 178 unemployed individuals had been placed in permanent employment. In addition, 245 743 people have benefitted from work readiness and technical training interventions. A total of R6.7 billion of the fund's total budget has been allocated to date in a portfolio of 127 approved employment generating initiatives, and an additional R9.5 billion to date has been committed from project partners in the form of matched funding.

Managing government's assets and liabilities

To address the significant increase in government's contingent liabilities, over the MTEF period, the department plans to develop a framework for reducing the number of government guarantees issued to public entities and improving the risk exposure from such guarantees. The department also plans to continue financing government's gross borrowing requirements in domestic and international capital markets, and maintaining prudent cash management to ensure that government is able to meet its financial obligations.

Strengthening government financial management

The Integrated Financial Management System is designed to enhance the productivity and effectiveness of government departments by improving access to information, raising the quality of data, eliminating the duplication of systems and resources, and curtailing manual processes. As at 2018/19, phases 1 and 2A were completed, with phase 2B expected to be completed by 2021/22. During phase 2B of the programme, National Treasury's corporate service units and the Department of Public Service and Administration will align their business processes with the solutions developed in the previous phases; and participate in business process configuration, user acceptance testing and data purification exercises.

National Treasury promotes and supports financial management reform, and builds capacity in municipalities to improve the implementation of the Municipal Finance Management Act, 2003 (Act 56 of 2003) through the Local Government Financial Management Grant. Funds disbursed through the grant over the medium term assist in: strengthening municipal budgets and improving the capacity of municipal budget and treasury offices, internal audit units and audit committees; providing for the appointment of more than 1 200 financial management interns and their training; investing in financial management systems; implementing reforms that include the development of financial recovery plans; implementing consequence management processes; and attending to matters arising from audit outcomes.

Over the medium term, funding from the grant is also expected to support the implementation of current reforms in financial management, and new reforms for addressing shortcomings identified in the financial management capability maturity model. The grant is allocated R1.7 billion over the MTEF period.

Infrastructure development, and economically integrated cities and communities

The Integrated City Development Grant provides a financial incentive for metropolitan municipalities to plan for, prepare and implement their infrastructure investment programmes in a focused way. Funding from the grant supports programme preparation and supplements cities' capital budgets to leverage loan financing and other investments from the private sector. Transfers to the grant amount to a projected R989.2 million over the medium term.

The Neighbourhood Development Partnership Grant supports metropolitan municipalities and intermediate city municipalities in planning and developing multifunctional urban precincts. Over the MTEF period, the grant is expected to support an estimated 18 urban hub precinct plans that seek to prioritise 60 catalytic infrastructure projects. Transfers to the grant amount to a projected R2.1 billion over the MTEF.

The Infrastructure Delivery Improvement Programme has assisted provinces in setting up infrastructure units to support provincial departments and local government. Accordingly, over the medium term, an estimated 300 provincial officials are expected to be trained on the programme's infrastructure delivery management system at a projected cost of R101.3 million.

The Infrastructure Skills Development Grant supports municipalities by recruiting and training unemployed graduates in the built environment towards their achieving professional registration with the relevant statutory councils. The grant has thus far funded the training of 648 graduates from various municipalities, with 241 graduates having completed the training, of which 200 have been permanently appointed.

Sustaining social progress

Creating work and improving education to eliminate poverty and build a more equitable society are at the heart of the long-term reforms set out in the NDP.

Yet despite continuing economic and social hardship, the lives of millions of South Africans have improved over the past decade.

Access to social infrastructure – formal housing, potable water, sanitation and electricity – has increased substantially. Social grants continue to make a meaningful contribution to reducing extreme poverty.

Enrolments in early childhood development and post-school education continue to expand.

Government is working to increase life expectancy to at least 70 years by 2030 through interventions such as the continued expansion of antiretroviral therapy and implementing the National Health Insurance.

Child mortality has been halved over the past decade, and there has been a substantial reduction in cases of severe malnutrition among children.

These achievements were made possible by government's sustainable approach to allocating public funds. Good fiscal planning supports government's ability to act on its constitutional mandate to realise fundamental social and economic rights in a progressive and affordable manner.

Over the past decade, public spending has doubled in real terms, funding a large expansion of social and capital budgets.

The proposed medium-term fiscal framework was expected to enable government to continue supporting social and economic development in a weak economic environment.

Economic development

Government support through the budget for economic development is wide-ranging, as it seeks to diversify growth and broaden participation.Innovation and technology changes are at the heart of this development strategy. South African science and technology also continues to benefit from the country's leading role in the Square Kilometre Array astronomy partnership, which will spend approximately R2.1 billion over the next three years.

Some R2.7 billion has been allocated over the medium term under the Mineral Policy and Promotion programme to promote investment in mining and petroleum beneficiation projects.

A total of R108 million was allocated for research and regulatory requirements for licensing shale gas exploration and hydraulic fracturing.

Government continues to strengthen support for agricultural development and trade. The projected conditional allocation to provinces over the medium term is R7 billion. Access to finance by emerging farmers would be expanded, in collaboration with the Land Bank.

Since the inception of the recapitalisation and development programme in 2008, some 1 459 farms have been supported and 4.3 million hectares acquired for redistribution.

A further 1.2 million hectares would be acquired over the next three years, and R4.7 billion is allocated for recapitalisation and development of farms.

In April 2018, President Cyril Ramaphosa appointed special envoys on Investment to spearhead an investment drive with a target of US$100 billion over the next five years.

By mid-2018, in a bid to cut the red tape and attract investors, work was underway to rationalise and streamline investment regulations, and reduce the cost of establishing and running businesses.

The government aims to increase investment in manufacturing and related sectors through the more effective use of industrial incentives, Special Economic Zones and local procurement requirements.

The inaugural South Africa Investment Conference was held at the Sandton Convention Centre from 25 to 27 October 2018 under the theme: "Accelerating Growth by Building Partnerships".

The conference, which was first announced by President Ramaphosa in his 2018 SoNA, aimed to mobilise R1.2 trillion in new investments over the next five years.

Combating corruption

Prevention of fraud and corruption remains high on the agenda of National Treasury. The establishment of an anti-corruption database which will improve fraud profiling and proactively reduce the risk of fraud has further enhanced the unit's functionality.

National Treasury uses a two-step approach to vet its employees, which forms part of prevention of fraud and corruption. All candidates who attend interviews are pre-screened, followed by a full vetting process.

The recent revelations about various instances of collusion between auditors and auditees as well as general lapses have tarnished the image of auditors in general and cast a bad light on the whole profession. To address this challenge, the Independent Regulatory Board for Auditors is working with the office of the Accountant General, housed within National Treasury, to amend the Audit Professions Act, 2005 (Act 26 of 2005) to restore the credibility of and public trust in the audit profession.

The amendments include strengthening sanctions in line with international best practice, strengthening the regulatory board's powers in its investigations process, and reducing the complexity of disciplinary hearings ensure a swift, fair and due process.

Improving government services

Public procurement reforms

Initiatives led by the Office of the Chief Procurement Officer aim to deliver lower-cost goods and services more efficiently and transparently through streamlined processes, strategic sourcing, transversal tenders and improved use of technology. The goal is to reduce bureaucratic inertia and red tape, and stamp out corrupt procurement practices.

Over the medium term, the Office of the Chief Procurement Officer plans to continue to monitor government procurement and identify malpractices that result in procurement irregularities. The process to finalise the draft Public Procurement Bill is expected to be enhanced in 2019/20. Once effected, the legislation will introduce a series of governance reforms to the contemporary public procurement process and improve access to opportunities for small, medium and micro enterprises. An e-education procurement and delivery management standard to guide stakeholders through procurement and delivery management processes is currently being developed and expected to be completed in 2019/20.

Central Supplier Database (CSD)

The CSD maintains a database of organisations, institutions and individuals who can provide goods and services to government. It serves as the single source of key supplier information for organs of State, providing consolidated, accurate, up-to-date, complete and verified supplier information to procuring organs of State.

At the beginning of 2018, the system had 656 000 users, 468 017 registered suppliers, 829 organs of State and some 17 000 practitioners on board. Approximately 30 000 reports were generated daily.

This is expected to reduce the administrative and cost burden of procurement, as the requisite documents will only need to be submitted once for a predetermined period.

eTender portal

The portal provides a single point of entry to identify business opportunities with government. Utilisation of the e-tenders publication portal has improved. There are more than 37 500 tenders published on the portal. More than 14 500 tenders were published by public entities, more than 5 400 by provincial departments, more than 3 600 by national departments and more than 7 000 by municipalities.

Vulekamali portal

In an effort to ensure that its services are accessible to the broader South African society, National Treasury launched an online portal that will make information on the country's budget more accessible to ordinary South Africans. The portal, called Vulekamali, presents information in a simplified format and shows citizens how public resources are generated and used.

The portal will enable the public to make their inputs, not only in influencing government policy directive as articulated through the budget but also having access to the budget process and the information contained in the budget.

The portal is a private-public partnership between Imaliyethu and National Treasury. It is a good platform for young South Africans, especially the academia, to access budgeting information to help them gain critical insights.

Building a platform for collective action

To promote a faster-growing, more inclusive economy, government has strengthened its active collaboration with business, trade unions and civil society to restore confidence and reduce constraints to growth. The Presidential Business Working Group and the CEO Initiative are generating targeted support for the economy.

Initiatives include a R1.5 billion fund to support small firms with the ability to scale up and create jobs, and a private-sector programme to create one million internships over a three-year period, focused on improving the job-readiness of young work seekers. To complement these efforts, government will strengthen its agencies that support small business.

Government continues talks with business and labour to reduce workplace conflict and protracted strikes. An independent panel has been established to support work on a national minimum wage.

Government has proposed to extend the employment tax incentive and the learnership allowance, and will continue to monitor the impact of these incentives.

Legislation and policies

- The PFMA of 1999 ensures that public funds are managed by a less rigid environment for financial management, with a stronger emphasis on the prudent use of tate resources, improved reporting requirements and the use of management information to enhance accountability.
- The Municipal Finance Management Act of 2003 applies to all municipalities and municipal entities, and national and provincial organs of State, to the extent of their financial dealings with municipalities.
- The Co-Operative Banks Act, 2007 (Act 40 of 2007) provides for the establishment of the CBDA as a public entity under the executive authority of the Minister of Finance.

- The South African Reserve Bank (SARB) Act, 1989 (Act 90 of 1989)
- The Division of Revenue Act, 2012 (Act 5 of 2012).
- The Appropriation Act, 2012 (Act 7 of 2012).
- The Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2012 (Act 13 of 2012).
- The Adjustments Appropriation Act, 2012 (Act 17 of 2012).
- The Division of Revenue Amendment Act, 2012 (Act 18 of 2012).
- The Financial Markets Act, 2012 (Act 19 of 2012).
- Tax Administration Laws Amendment Act, 2012 (Act 21 of 2012).
- Taxation Laws Amendment Act, 2012 (Act 22 of 2012).
- The Credit Rating Services Act, 2012 (Act 24 of 2012).
- The DBSA Act, 1997 (Act 13 of 1997).
- The Land and Agricultural Development Bank Act, 2002 (Act 15 of 2002).
- The FSB Act, 1990 (Act 97 of 1990).
- The Financial Advisory and Intermediaries (FAIS) Act, 2002 (Act 37 of 2002).
- The FIC Act, 2001 (Act 38 of 2001).
- The PIC Act, 2004 (Act 23 of 2004).
- The SARS Act, 1997 (Act 34 of 1997).
- The Tax Administration Act, 2011 (Act 28 of 2011)
- The Lotteries Act, 1997 (Act 57 of 1997).
- The National Gambling Act, 2004 (Act 7 of 2004).
- The Lotteries Amendment Act, 2013 (Act 32 of 2013).
- The National Credit Act (NCA), 2005 (Act 34 of 2005).

Financial institutions

Financial Intelligence Centre

The FIC is South Africa's national centre for the receipt of financial data, analysis and development of financial intelligence. The FIC was established by the FIC Act (FICA), 2001(Act 38 of 2001) and has the mandate to identify the proceeds of crime, combat money laundering and terror financing. In so doing, the FIC has a primary role to protect the integrity of South Africa's financial system. It does this by seeking to:

- receive financial data from accountable and reporting institutions;
- assess, interpret and analyse financial information with a view to preparing financial intelligence reports;
- share financial intelligence reports with competent authorities, including the National Prosecuting Authority, the Hawks, SARS, the South African Police Service, the State Security Agency, the Special Investigating Unit, the Public Protector, the supervisory bodies and international counterparts;
- Facilitate effective supervision and enforcement compliance with the FICA of 2001;
- Provide policy advice to government entities; and
- uphold the international obligations and commitments required by the country in respect of anti-money laundering and combating financing of terrorism (AML/CFT).

The FICA of 2003 introduces transparency in the financial system. It established a regulatory framework of measures for identified business sectors to register and submit regulatory reports to the FIC, to take steps to know who they do business with, to understand their customers' business, to keep records of customers' identities and transactions, and to implement internal compliance structures. The Act obliges all businesses to report to the FIC various suspicious and certain other transactions. The FIC uses the transaction and other data it receives to develop financial intelligence reports. These financial intelligence reports are shared with the competent authorities such as criminal investigators and prosecutors, to assist them in their actions in the pursuit, investigation and prosecution of crime and the confiscation of criminal proceeds.

The FIC and supervisory bodies have the authority to inspect and impose administrative penalties on non-compliant businesses.

South Africa is a member of the Financial Action Task Force, an international body that sets standards and shapes policy-making on AML/CFT. It is also a member of the Eastern and Southern Africa Anti-Money Laundering Group, a regional body associated with the FATF, which aims to support countries in the region to implement the global AML/CFT standards.

The FIC is a member of the Egmont Group, which is made up of financial intelligence units from across the globe. The primary aim of the Egmont Group is to facilitate co-operation and sharing of financial intelligence information among its members.

Amendments to the FIC Act in 2017 were introduced to advance the fight against money laundering and financing of terrorism. Key aspects of the amendments include:

- providing for a risk-based approach to knowing a customer and understanding a customer's business,
- identifying who really owns, benefits from and ultimately controls corporate vehicles such as companies and trusts,
- improving customer due diligence measures with respect to domestic prominent persons and foreign prominent public officials, and
- implementing targeted financial sanctions with respect to United Nations Security Council Resolutions.

Financial and Fiscal Commission

The FFC is an independent, objective, impartial and unbiased constitutional institution.

It is a permanent expert commission with a constitutionally defined structure, a set of generic responsibilities and institutional processes.

The FFC submits recommendations and advice to all spheres of government, based on research and consultations on a range of intergovernmental fiscal issues.

The research includes:

- developing principles for intergovernmental fiscal relations, based on analysis of international best practice,
- analysing local, provincial and national government budgets to understand revenue and expenditure trends,
- identifying and measuring factors influencing provincial and local revenues and expenditures, and
- assessing fiscal policy instruments, such as conditional grants, equitable share transfers and taxes.

The Constitution and other legislation requires government to consult with the FFC on issues such as provincial and local government revenue sources, and provincial and municipal loans. Consultation about the fiscal implications of assigning functions from one sphere of government to another is also required.

Public Investment Corporation

The PIC is an asset management firm wholly owned by the government, represented by the Minister of Finance. PIC's clients are mostly public sector entities, which focus on provision of social security. Amongst others, these include the Government Employees Pension Fund, Unemployment Insurance Fund and Compensation Commissioner Fund.

Established in 1911, the PIC ranks amongst the best and successful asset management firms in the world and is by far the biggest in Africa. The PIC runs one of the most diversified portfolios, which is made-up of multiple asset classes. These assets include listed equities, real estate, capital market, private equity and impact investing. Through listed investments, the PIC controls over 10% of the Johannesburg Stock Exchange and has direct and indirect exposure to almost all sectors of the South African economy. The corporation has a mandate to invest in the rest of the African continent and beyond. Over and above generating financial returns for clients, through its impact-investing programme, the PIC seeks to generate social returns by investing in projects that ensure inclusive growth. The PIC supports the United Nations' Sustainable Development Goals and considers environment, social and governance issues in all its investments.

South African Revenue Service

The SARS is the nation's tax collecting authority established in terms of the South African Revenue Service Act 34 of 1997 as an autonomous agency. It is responsible for administering the South African tax system and customs service.

The SARS's outcomes are:

- increased Customs and Excise compliance
- increased tax compliance
- increased ease and fairness of doing business with SARS
- increased Cost effectiveness and Internal Efficiencies
- increased public trust and credibility.

SARS's mandate is to:

- collect all revenues due
- ensure optimal compliance with Tax, Customs and Excise legislation
- provide a customs and excise service that will facilitate legitimate trade as well as protect our economy and society.

The SARS is driven by the aspiration to contribute directly to the economic and social development of the country by collecting the revenue due to enable government to deliver on its constitutional obligations, policy and delivery priorities in pursuance of better life for all in South Africa.

By encouraging tax and customs compliance, SARS also aspires to contribute to the building of fiscal citizenship reflected by a law abiding society.

Tax administration

National Treasury is responsible for advising the Minister of Finance on tax policy issues that arise in local, provincial and national government. As part of this role, National Treasury must design tax instruments that can optimally fulfil their revenue-raising function and policy objectives. These tax instruments must be aligned to the goals of Government's economic and social policy.

A single, modern framework for the common administrative provisions of various tax acts administered by SARS, excluding customs and excise, was established by the Tax Administration Act of 2011. The Act simplifies and provides greater coherence in South African tax administration law. It eliminates duplication, removes redundant requirements and aligns disparate requirements that previously existed in different tax acts administered by SARS.

The Act provides for common procedures across the various tax acts, and strives for an appropriate balance between the rights and obligations of SARS and the rights and obligations of taxpayers in a transparent relationship.

Office of the Tax Ombud

In terms of the Tax Administration Act of 2011, the Minister of Finance appointed South Africa's first Tax Ombud on 1 October 2013. The Office of the Tax Ombud is intended to provide taxpayers with an impartial and low-cost mechanism to address service, procedural or administrative difficulties that taxpayers have not been able to resolve through SARS's complaints management channels.

South African tax system

South Africa has a residence-based income tax system. Residents are, subject to certain exclusions, taxed on their worldwide income, irrespective of where their income was earned. Non-residents are taxed on their income from a South African source, subject to relief under Double Taxation Agreements. Foreign taxes are credited against South African tax payable on foreign income.

Taxes on income and profits

Personal Income Tax (PIT), Company Income Tax (CIT) and Value-added Tax (VAT) in aggregate remain the largest source of tax revenue and comprise about 80.7% of total tax revenue collections. This category comprises taxes on persons and Individuals; taxes on companies ((both inclusive of Capital Gains tax (CGT) and withholding tax on royalties)); interest on overdue income tax; Dividends tax (DT) and withholding tax on interest.

Personal income tax

PIT is a tax levied on the taxable income of individuals and trusts. It is determined for a specific year of assessment. Taxable capital gains form part of taxable income. The main contributors to PIT are employment income from salary earners and income generated from sole-proprietor activities. The tax rates applicable to PIT-related taxable income are progressive, marginal rates ranging from 18% to 45% since 2017/18.

As a means of collecting PIT from salary and wage income, a mechanism known as Pay-As-You-Earn (PAYE) is in operation that enables employers to withhold tax due to SARS from employees and pay this over to SARS monthly and reconciled biannually.

Company Income Tax

CIT is a tax levied on the taxable income of companies and close corporations. After PIT and VAT, CIT has been the largest contributor to total tax revenue for the past decade.

Although the current headline CIT rate is 28%, some sectors of the economy have different effective tax rates due to sector-specific tax dispensations and deductions.

Exceptions to the rule are the lower, progressive tax rates that apply to small and micro-enterprises, as well as the reduced rate that applies to companies operating in designated special economic zones.

Dividends tax
DT is a final tax at a rate of 20% on dividends paid by resident companies and by non-resident companies in respect of shares listed on the JSE. Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person.

Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares.

The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend

Taxes on payroll and workforce
Taxes on payroll and workforce comprise the Skills Development Levy (SDL) and Unemployment Insurance Fund (UIF) Contributions. SDL is a compulsory levy intended to fund training costs incurred by employers.

Skills-development levy
Affected employers contribute to a Skills Development Fund that is used for employee training and skills development.

This SDL is payable by employers at a rate of 1% of the total remuneration paid to employees.

Employers paying annual remuneration of less than R500 000 are exempt from the payment of this levy.

Unemployment Insurance Fund
The UIF insures employees against the loss of earnings due to termination of employment, illness or maternity leave.

The contribution to the UIF is shared equally by affected employers and employees at a rate of 1% of remuneration each. The employee share of 1% is withheld by the employer and paid to SARS, together with the employer share of 1%, monthly.

Taxes on property
Taxes on property comprise Donations tax, Estate Duty, Securities Transfer Tax (STT) and transfer duties.

Donations tax
Donations tax is levied at a rate of 25% on the value of the donation. An annual exemption of R100 000 is available to natural persons.

Estate duty
Estate duty is levied at a flat rate of 20% and at 25% on the dutiable amount of the deceased estate that exceeds R30 million from 1 March 2018. Specific deductions and abatements are allowed from the total value of the estate.

Securities Transfer Tax
STT is levied at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies or members' interests in close corporations.

Transfer duty
Transfer duty is the largest source of revenue in this category. It is levied on the acquisition of property at progressive rates from 0% to 13% for all persons including companies, close corporations and trusts.

The marginal rate of 13% applies to the portion of the value of property exceeding R10 million.

Domestic taxes on goods and services
Domestic taxes on goods and services comprise VAT, specific excise duties, ad valorem excise duties, fuel levy, Road Accident Fund (RAF) levy, environmental levies and health promotion levy. VAT is the largest source of revenue in this category.

Value-added Tax
VAT is levied at a rate of 15% on goods and services with some exemptions and zero-ratings, and is also levied on the importation of goods and services into South Africa. The quoted or displayed price of goods and services must be VAT-inclusive.

A person who supplies goods or services is liable to register for VAT, if the income earned is more than R1 million in a 12-month period, or when there is a reasonable expectation that the income will exceed this amount.

A person can also register voluntarily for VAT, if the income earned from supplying goods or services for 12 months exceeded R50 000.

Fuel taxes
The fuel levy is imposed on petrol and diesel (including biodiesel) manufactured in or imported into South Africa. The fuel levy is not earmarked, but it implicitly increases the cost of road transport to encourage more efficient and sustainable road use.

The increased fuel levy will be R3.52/litre for petrol and R3.37/litre for diesel from 3 April 2019. The RAF levy is imposed on petrol and diesel manufactured in or imported into South Africa. The RAF levy funds the RAF's motor vehicle accident insurance scheme. The increased RAF levy is R1.98/litre for both petrol and diesel from 3 April 2019 of R1.

Environmental levies
The South African Government has responded to the serious global challenge of environmental pollution and climate change by introducing several environmental taxes that are intended to modify behaviour of the country's citizens for sustainable development of the economy.

International air passenger departure tax
The tax imposed on international air travel was introduced in November 2000 and was last increased in 2011. Passengers departing on flights to Botswana, Lesotho Namibia and Swaziland (known as BLNS countries) are paying a departure tax of R100 per passenger while passengers on other international flights are paying R190 per passenger.

Plastic bag levy
The plastic bag levy was introduced to reduce litter and encourage plastic bag reuse. It is charged at 12 cents per bag.

Electricity generation levy
The electricity generation levy was Introduced to encourage sustainable electricity generation and use. The levy is applied to electricity generated from non-renewable sources and costs 3.5 cents per kWh.

Incandescent bulb levy

The electric filament lamp levy was introduced to promote energy efficiency by discouraging the use of incandescent light bulbs. It is charged at R8 a bulb.

CO2 motor vehicle emissions levy

The CO_2 motor vehicle emissions levy on passenger and double-cab vehicles was introduced to encourage the manufacture and purchase of more energy efficient motor vehicles. It is charged at R110 for every gram above 120gCO_2/km for passenger vehicles and R150 for every gram above 175gCO_2/km for double cab vehicles.

Tyre levy

The tyre levy on new pneumatic tyres was introduced to encourage efficient tyre use. Although the tyre levy is not earmarked, it indirectly supports the responsible recycling of obsolete tyres. The levy was implemented in 2017 at a rate of R2.30/kg.

Health promotion levy

The sugary beverages levy took effect on 1 April 2018 at a rate of 2.1 cent/gram of the sugar content that exceeds 4g/100 ml.

The levy applies to specific sugary drinks and concentrates used in the manufacture of sugary drinks to combat obesity and promote healthier consumer beverage choices.

Diamond Levy

A diamond export levy on unpolished diamonds exported from South Africa was introduced, effective from November 2008 at a rate of 5% of the value of such diamonds.

Trade Agreements

SARS administers a number of trade agreements or protocols or other parts or provisions thereof, and other international instruments, in terms of the Act, which are enacted into law when published by notice in the Gazette. The full texts of these types of agreements are contained in Schedule No. 10 to the Act and contain the following:

- Treaty of the Southern African Development Community and Protocols concluded under the provisions of Article 22 of the Treaty (SADC Treaty & Protocols)
- Agreement between the Government of the Republic of South Africa and the Government of the United States of America regarding Mutual Assistance between their Customs Administrations (AGOA)
- Southern African Customs Agreement between the Governments of the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia, the Republic of South Africa and the Kingdom of Swaziland (SACU)
- Memorandum of Understanding (MoU) between South Africa and China on promoting Bilateral Trade and Economic Co-operation (MoU with People's Republic of China)
- Free Trade Agreement between the EFTA States and the SACU States (EFTA)
- Common Market of the South (MERCOSUR) comprising of Argentina, Brazil, Paraguay and Uruguay and the South African Customs Union (SACU) comprising of Botswana, Lesotho, Namibia, South Africa and Eswatini which was implemented on 1 April 2016 (Mercosur-SACU)
- Economic Partnership Agreement between the SADC Economic Partnership Agreement states, of the one part, and the European Union and its member states of the other part which was implemented on 10 October 2016 (SADC – EPA)

In terms of the above-mentioned agreements preferential rates as contained in the rate of duty columns in Part 1 of Schedule No. 1 may apply in each case.

Southern African Customs Union

SACU consists of Botswana, Lesotho, Namibia, South Africa, and Eswatini. The SACU Secretariat is located in Windhoek, Namibia. SACU was established in 1910, making it the world's oldest Customs Union. Negotiations to reform the 1969 Agreement started in 1994, and a new agreement was signed in 2002. The member states form a single customs territory in which tariffs and other barriers are eliminated on substantially all the trade between the member states for products originating in these countries; and there is a common external tariff that applies to non-members of SACU.

Excise duties

Excise duties are levied on certain locally manufactured goods and their imported equivalents. Specific excise duties are levied on tobacco and liquor products. Ad valorem excise duties are levied on products such as motor vehicles, cellular telephones, electronics and cosmetics.

Customs duty

Customs duties are imposed by the Customs and Excise Act, 1994 (Act 91 of 1964). Ordinary customs duty is a tax levied on imported goods and is usually calculated on the value of goods imported and collected by the customs unit within SARS. Customs duty rates in Part 1 of Schedule No. 1 and trade remedies relating to the importation of goods i.e anti-dumping, countervailing and safeguard duty are set out in Schedule No. 2 of the Schedules to the Act and are determined through trade policy in terms of the International Trade Administration Act, of 2002 administered by the International Trade Administration Commission.

The Customs Control Act, 2014 (Act 31 of 2014) and Customs Duty Act, 2014 (Act 30 of 2014) were promulgated in July 2014 to provide a platform for the modernisation of customs administration that achieves a balance between effective customs control, the secure movement of goods and people into and from the Republic and the facilitation of trade and tourism. The new Acts will come into operation on a date to be determined by the President.

In addition, VAT is also collected on goods imported and cleared for home consumption.

Rates on property

Property-related taxes include municipal rates and charges for refuse and sewerage which are collected by municipalities.

Compliance levels

Tax Register

SARS continues to broaden the tax base and expand its taxpayer and trader register. Contributing positively to the ease of registration are bulk registrations at places of employment and an online facility to register staff when submitting their monthly PAYE returns. The SARS registration policy stipulates that everyone formally employed regardless of their tax liability must be registered for PIT. If employees are not registered, it is the duty of the employer to register them with SARS.

Tax compliant

Tax compliance is mirrored in the tax collected from the various types of tax. SARS succeeded in improving tax collections from its largest sources of tax revenue, PIT, CIT and VAT.

Payment channels

The majority of taxpayers are now using electronic payment platforms which significantly improve turnaround times. Cash collections at branches have been reduced as have the risks associated with them. Payment methods other than branch payments are:

- eFiling: this requires a taxpayer to register as an eFiling client in order to make electronic payments using this channel;
- Payments at banks: taxpayers can make either an internet banking transfer or an over-the-counter deposit.

Voluntary Disclosure Programme (VDP)

A permanent VDP was introduced in terms of the Tax Administration Act of 2011, in October 2012. The permanent VDP is part of a package of compliance measures aimed at encouraging non-compliant taxpayers to regularise their tax affairs.

International tax treaties

South Africa is a party to a wide range of double taxation agreements, tax information exchange agreements and other agreements. In 2014, the Organisation for Economic Cooperation and Development (OECD), working with G20 countries, developed the Standard for Automatic Exchange of Financial Account Information in Tax Matters (the Standard) also known as the OECD's Common Reporting Standard (CRS).

The Standard requires the reporting to tax authorities by financial institutions of information in relation to financial accounts they hold for non-resident taxpayers. This information is then automatically exchanged between tax authorities each year in order to tackle cross-border tax evasion. South Africa is an early adopter of the Automatic Exchange of Information which includes both the initiatives stemming from South Africa signing an Intergovernmental Agreement with the US Internal Revenue Service (on their Foreign Account Tax Compliance Act) as well as the CRS.

National Gambling Board (NGB)

The NGB is governed by the National Gambling Act of 2004. The Act makes provision for the coordination of concurrent national and provincial legislative competence over matters relating to casinos, racing, gambling and wagering; and provides for the regulation and development of uniform norms and standards.

The NGB maintains a national gambling database that contains information on national gambling statistics such as turnover, gross gambling revenue, gambling taxes and levies, as well as returns to players and punters.

Provincial licensing authorities are required to submit statistics to the NGB quarterly for consolidation and reporting on the national status.

Responsible gambling

The NGB has a legislated responsibility to educate the public about gambling and the negative socio-economic impact of the gambling industry on society.

The National Responsible Gambling Programme (NRGP) integrates research and monitoring, public education and awareness, training, treatment and counselling.

The NRGP is managed by the South African Responsible Gambling Foundation. The main thrust of the NRGP's prevention programme is to educate gamblers, potential gamblers and society as a whole about responsible gambling.

The NRGP has various operational components, such as public awareness and prevention, the toll-free counselling line, a countrywide treatment network for outpatient counselling and therapy, research and monitoring initiatives, training for regulators and industry employees, a crisis line service available to gambling industry employees and management, as well as the Taking Risks Wisely life-skills programme – a teaching resource for grades 7 to 12.

National Lotteries Commission (NLC)

The NLC was launched in June 2015 with the mandate to regulate the National Lottery as well as other lotteries, including society lotteries to raise funds and promotional competitions.

The NLC evolved out of the National Lotteries Board. NLC members are also trustees of the National Lottery Distribution Trust Fund (NLDTF), into which National Lottery proceeds that are intended for allocation to good causes are deposited.

The NLC does not adjudicate applications for funding or make allocations to organisations. This is done by committees known as distributing agencies which are also appointed by the Minister of Trade and Industry, in conjunction with other relevant ministers, after a process of public nomination. The NLC provides administrative support to the distributing agencies.

The NLC is mandated to:

- advise the Minister of Finance on the issuing of the license to conduct the National Lottery.
- ensure that the National Lottery and Sports Pools are conducted with all due propriety.
- ensure that the interests of every participant in the National Lottery are adequately protected.
- ensure that the net proceeds of the National Lottery are as large as possible.
- administer the NLDTF and hold it in trust.
- monitor, regulate and police lotteries incidental to exempt entertainment, private lotteries, society lotteries and any competition contemplated in Section 54 of the the Lotteries Act of 1997.
- advise the Minister on percentages of money to be allocated in terms of Section 26(3) of the the Lotteries Act of 1997.
- advise the Minister on the efficacy of legislation pertaining to lotteries and ancillary matters.
- advise the Minister on establishing and implementing a social responsibility programme in respect of lotteries.
- administer and invest the money paid to the board in accordance with the Lotteries Act of 1997.
- perform such additional duties in respect of lotteries as the Minister may assign to the board.
- make such arrangements as may be specified in the licence for the protection of prize monies and sums for distribution

- advise the Minister on any matter relating to the National Lottery and other lotteries or any other matter on which the Minister requires the advice of the Board.

Auditor-General of South Africa

The AGSA strengthens South Africa's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

The AGSA is one of the Chapter 9 institutions mandated by the Constitution to fulfil certain functions. These institutions are not part of Government and do not have a duty to be part of the mechanisms of cooperative government. The independence of the AGSA is, therefore, respected and strengthened.

As mandated by the Constitution and the Public Audit Act, 2004 (Act 25 of 2004), the AGSA is responsible for auditing national and provincial State departments and administrations, all municipalities and any other institution or accounting entity required by national and provincial legislation to be audited by the AGSA.

Various business units provide auditing services, corporate services and specialised audit work, such as performance audits, information system audits and audit research and development. The AGSA also has an international auditing complement.

Financial sector

South African Reserve Bank

The primary purpose of the SARB is to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa. Together with other institutions, it also plays a pivotal role in ensuring financial stability.

The SARB is the central bank of South Africa. It was established in 1921, in terms of a special Act of Parliament and the Currency and Banking Act, 1920 (Act 10 of 1920), which was the direct result of abnormal monetary and financial conditions that had arisen during and immediately after World War I.

The SARB is governed by the SARB Act of 1989, as amended. In terms of the Constitution, it has been given an important degree of autonomy in the execution of its duties.

Since its establishment, the SARB has always had private shareholders who have limited rights. It has more than 700 shareholders. Its shares are traded on the over-the-counter (OTC) share-trading facility managed by the SARB. Its operations are not motivated by a drive to return profits, but to serve the best interests of all South Africans.

The SARB's head office is in Pretoria and it has branch offices in Cape Town, Durban and Johannesburg. The bank must submit a monthly statement of its assets and liabilities to National Treasury and an annual report to Parliament. The Governor of the SARB holds regular discussions with the Minister of Finance and appears before the Parliamentary Portfolio and other select committees on finance, from time to time.

The SARB has a unique position in the economy, as it performs various functions and duties not normally carried out by commercial banks. Although the functions of the SARB have changed and expanded over time, the formulation and implementation of monetary policy has remained one of the cornerstones of its activities.

The SARB publishes monetary policy reviews, and regular regional monetary-policy forums are held to provide a platform for discussions on monetary policy with broader stakeholders from the community.

Functions

The primary function of the SARB is to protect the value of South Africa's currency. In discharging this role, it takes responsibility for:

- ensuring that the South African money, banking and financial system as a whole is sound, meets the requirements of the community and keeps abreast of international developments.
- assisting the South African Government, as well as other members of the economic community of Southern Africa, with data relevant to the formulation and implementation of macroeconomic policy.
- informing the South African community and all stakeholders abroad about monetary policy and the South African economic situation.

System of accommodation

The SARB's refinancing system is the main mechanism used to implement its monetary policy.

Through its refinancing system, the SARB provides liquidity to banks, enabling them to meet their daily liquidity requirements. "Liquidity" refers to the banks' balances at the central bank, which are available to settle their transactions with one another, over and above the minimum statutory level of reserves that they have to hold.

The main instrument for managing liquidity in the money market is repurchase (repo) transactions conducted at the prevailing repo rate. The repo rate is the price at which the SARB lends cash to the banking system and is the key operational variable in the monetary-policy implementation process.

The objective of the monetary policy implementation framework is to ensure that the money market interest rates are aligned to changes in the repo rate.

The refinancing system also provides for supplementary and automated standing facilities in the end-of-day square-off to bridge the banking sector's overnight liquidity needs, as well as a concession to banks to use their cash-reserve balances with the SARB to square off their daily positions.

Creating a liquidity requirement

The underlying philosophy of the refinancing system is that the SARB has to compel banks to borrow a substantial amount (the liquidity requirement or the money-market shortage) from the SARB.

The SARB, therefore, creates a liquidity requirement (or shortage) in the money market, which it then refinances at the repo rate – a fixed interest rate determined by the Monetary Policy Committee, comprising the SARB governors and other senior officials.

After each meeting, the Monetary Policy Committee issues a statement indicating its assessment of the economy and announces policy rate changes.

To manage the day-to-day, liquidity requirement, the SARB uses other open-market operations in its liquidity management strategy.

The open-market operations refer to the selling of SARB debentures, longer-term reverse repos, money-market swaps in foreign exchange and the movement of public-sector funds, for example, the Corporation for Public Deposits and central government funds, as well as changes in the cash-reserve requirements for banks.

These operations are conducted to neutralise or smooth the influence of exogenous factors on the liquidity position in the money market and to maintain an adequate liquidity requirement in the market, which has to be refinanced from the SARB.

Through this mechanism, the bank can exert influence over interest rates in the market.

Promoting the efficient functioning of domestic financial markets

To promote price discovery in the domestic money market, the SARB calculates the South African benchmark overnight rate on deposits (Sabor) and the average rate on funding in the forward foreign exchange market, the Overnight Foreign Exchange rate, on a daily basis, in addition to conducting surveillance on the calculation of the Johannesburg Interbank Average Rate (Jibar).

To keep the refinancing system effective, the SARB stays abreast of market and other structural developments.

In this regard, the refinancing system is currently under review, with the aim of enhancing the price transparency in the money market, and for the SARB to better monitor the interest-rate transmission.

Following the review of the rate setting of the Jibar and the subsequent Code of Conduct, additional initiatives involve the improvement and broadening of existing money-market benchmark and reference rates according to global guidelines.

The SARB also engages with other stakeholders to promote the efficient functioning of markets.

Special liquidity assistance and stability in the financial sector

In terms of its "lender-of-last-resort", the SARB may in certain circumstances provide liquidity assistance to banks experiencing liquidity problems, for example to provide liquidity against a broader range of collateral as was the case in 2007.

The type and conditions of emergency assistance will vary according to specific conditions. Also, as part of the broader mandate of the SARB and the upcoming Financial Sector Regulations Bill, resolution planning, crisis preparedness and monitoring systemic risks in the financial sector are priority, all aimed at protecting and enhancing financial stability, as well as to deepen South Africa's resilience to external shocks.

In view of the interrelationship between price and financial system stability, the bank monitors the macro-prudential aspects of the domestic financial system. The objective of financial stability is to prevent costly disruptions in the country's financial system.

Service to government

The SARB manages the country's official gold and foreign exchange reserves. In addition, the SARB provides portfolio management, debt issuance, and custody and settlement services to the government and other clients/counterparties, while also managing the inherent market and operational risks associated with these services.

Gold and foreign-exchange reserves

The Bank is the custodian of the country's official gold and foreign-exchange reserves. Subsequent to the conversion of the negative net open foreign currency position in May 2003 into a positive position, foreign reserves grew until 2011 and have remained stable since then.

The accumulation and management of reserves is guided by the risk tolerance of the Bank through the Strategic Asset Allocation, which seeks to ensure capital preservation, liquidity, and return.

Banker and adviser to government as well as funding agent

As funding agent for government, the main services provided are administering the auctions of government bonds and Treasury bills, participating in the joint standing committees between the SARB and National Treasury, and managing the flow of funds between the exchequer account and tax and loan accounts. The SARB also acts as banker to government and as such, manages the Exchequer and Paymaster General Accounts in the books of the SARB.

Administration of exchange control

The SARB is responsible, on behalf of the Minister of Finance, for the day-to-day administration of exchange controls in South Africa.

Provision of economic and statistical services

The bank collects, processes, interprets and publishes public information, economic statistics and other information, and uses this information in policy formulation.

The Prudential Authority (PA)

The FSR Act of 2017 was signed into law in August 2017. The passing of the Act was the culmination of collaboration on financial sector reform by the SARB, National Treasury and the Financial Services Board and marked an important milestone on the journey towards a safer and fairer financial system that is able to serve all citizens.

The FSR Act of 2017 gave effect to three important changes to the regulation of the financial sector:

- It gave the SARB an explicit mandate to maintain and enhance financial stability.
- It created a prudential regulator, the PA. The authority is responsible for regulating banks, insurers, cooperative financial institutions, financial conglomerates and certain market infrastructures.
- It established a market conduct regulator, which is located outside of the SARB.

The PA is a juristic person operating within the administration of the SARB and consists of four departments: Financial Conglomerate Supervision; Banking, Insurance and FMI Supervision; Risk Support; and Policy, Statistics and Industry Support.

The national payment system

The bank is responsible for overseeing the safety and soundness of the national payment system. The main aim is to reduce interbank settlement risk, with the objective of reducing the potential of a systemic risk crisis emanating from settlement default by one or more of the settlement banks.

Banker to other banks

The bank acts as the custodian of the cash reserves that banks are legally required to hold or prefer to hold voluntarily, with the bank.

Banknotes and coins

The South African Mint Company, a subsidiary of the SARB, mints all coins on behalf of the SARB. The South African Bank Note Company, another subsidiary of the SARB, prints all banknotes on behalf of the SARB.

Banknotes are distributed to the commercial banks through the bank's three branches. Coins, however, are distributed by SBV. It is the responsibility of the SARB to ensure that there is an adequate supply of new banknotes available to meet peak demand, and also to replace unfit banknotes. The SARB is responsible for the quality of banknotes in circulation.

Monetary policy

The SARB is responsible for monetary policy in South Africa. Its constitutional mandate in this regard is "to protect the value of the currency in the interest of balanced and sustainable economic growth in the Republic".

To give effect to this mandate, the SARB uses a flexible inflation targeting framework with a continuous target for consumer price inflation of 3 – 6%. The SARB has expressed its preference for inflation expectations to converge towards the mid-point of the target range, so as to minimize the risk of prolonged deviations from target in the event of unexpected price shocks.

Inflation remained safely within the target range in 2018. From a low of 3.8% in March 2018, inflation increased moderately under the combined effect of exchange rate depreciation, higher petrol price inflation and a one percentage-point increase in the VAT rate. Nevertheless, inflation increased by less than what SARB models had projected and after peaking at 5.2% in November 2018, fell back to 4.4% in December as international oil prices receded.

Core inflation (excluding food and non-alcoholic beverages, petrol and energy) increased only modestly in 2018 and remained in a narrow 4.0 – 4.5% range. While inflation for manufactured goods edged up on the back of exchange rate depreciation, services inflation generally confirmed the downtrend seen in 2017. Meanwhile, food prices continued to rise moderately in 2018.

This pace of economic growth disappointed again in 2018, with an average growth rate of only 0.8% year-on-year in the first three quarters of the year. This is well below longer term trends. Weak economic growth and the lack of strong acceleration in inflation allowed the SARB to pause after an increase of 25bp in the repo rate in November 2018, to 6.75%, which responded to upside inflation risks at the time and reversed an earlier rate cut in March 2018.

However, the Monetary Policy Committee continued to see risks to the inflation outlook as skewed to the upside, in light of volatility in global investor sentiment towards emerging markets and upside risks to domestic administered prices, especially in the energy sector. It therefore insists that future policy moves will remain data-dependent.

The banking industry

As at the end of December 2018, 34 banking institutions were registered and supervised by the PA of the SARB: 19 banks and 15 local branches of international banks.

South Africa's banking sector is dominated by five largest banks, which collectively held 90.4% of the total banking assets as at 31 December 2018. Local branches of international banks contributed 5,8% as at 31 December 2018. The remaining banks operating in South Africa represented 3,8% .

In addition, as at the end of December 2018, four mutual banks and three cooperative banks were registered and supervised by the PA of the SARB. At the time, there were also 35 authorised representative offices of international banks in South Africa:

2018	
Banks[1]	19
Local branches of foreign banks	15
Mutual banks	4
Cooperative banks	3
Representative offices	35
Representative offices	31

[1]Includes active banks and banks exempted by the Registrar of Banks (with effect from 1 July 1996) in terms of the Supervision of Financial Institutions Rationalisation Act of 1996 and section 1(cc) of the Banks Act 94 of 1990.

Exchange controls

Exchange control regulations are administered by the SARB, on behalf of the Minister of Finance. The Minister has delegated to the Financial Surveillance Department of the SARB the responsibility of appointing certain banks to act as authorised dealers in foreign exchange, as well as certain entities to act as authorised dealers in foreign exchange with limited authority, which gives them the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by the the department. Authorised dealers are not agents for the Financial Surveillance Department, but act on behalf of their customers.

As at the end of February 2019, a total of 26 banks were authorised to act, for the purposes of the regulations, as authorised dealers; two banks as restricted authorised dealers in respect of permissible credit card transactions and 20 entities as authorised dealers in foreign exchange with limited authority.

In terms of exchange control policy, there are no limitations as to how much money may be brought into South Africa, but there are certain limitations on the amount of money that may be transferred out of South Africa.

For all non-South Africans, there is no limitation on transferring money out of South Africa that has been previously introduced into the country.

Up to R25 000 in cash, per resident (natural person), may be taken when proceeding on visits outside the common monetary area, to meet travellers' immediate needs on return to South Africa. Foreign visitors to South Africa may introduce foreign currency in any amount and in any form (e.g. foreign bank notes, travellers cheques) and may export any funds originating from instruments of foreign currency (including foreign bank notes) imported into South Africa on their arrival. No more than R25 000 may be exported in SARB notes.

South Africans (including emigrants and South African residents who are temporarily abroad), for example, are currently able to transfer up to R10 million, per calendar year, out of the country for investment purposes, subject to a tax clearance certificate being provided. In addition, South Africans can transfer up to R1 million abroad for any legal purpose, including investments, without the requirement to obtain a tax clearance certificate. Requests by individuals to transfer additional funds are considered by the Financial Surveillance Department.

Companies may transfer up to R1 billion per calendar year for outward foreign direct investments.

South African entities listed on any South African authorised exchange may register with the Financial Surveillance Department and transfer funds from the parent company to a HoldCo (a South African holding company for African and offshore operations) up to R3 billion a calendar year. Up to this amount, there is no restriction on transfers in and out of the HoldCo, provided such transfers are not undertaken to avoid tax.

> In July 2018, the SARB issued a set of commemorative banknotes to honour former Presdident Nelson Mandela's centenary. The notes cover all denominations – R10, R20, R50, R100 and R200.
> In addition, the South African Mint, a subsidiary of the SARB, issued R5 circulation coin celebrating Mandela's birth centenary. The new commemorative banknotes and coins are circulating alongside the existing banknotes and coins.

Additional amounts of up to 25% of the listed company's market capitalisation are considered, on application to the Financial Surveillance Department, provided there are demonstrated benefits to South Africa. Unlisted entities may establish one HoldCo for African and foreign operations, which are not subject to exchange control restrictions. Annual transfers up to R2 billion a calendar year into a HoldCo may be effected. In addition, companies operating in the financial sector, such as banks and insurance companies may also apply to the Financial Surveillance Department for this dispensation, provided they meet certain set criteria.

Historically, South African companies investing in countries outside of the Common Monetary Area were required to obtain a minimum of 10% of equity and/or voting rights in a foreign target entity. Following the Minister of Finance's announcement in the 2018 Budget Speech, South African companies may now acquire less than 10% of the equity and/or voting rights in a foreign target entity. Such companies may acquire up to 40% equity and/or voting rights in a foreign target entity, which may hold investments and/or make loans into the Common Monetary Area (the so called 'loop structure').

Institutional investors are all retirement funds, long-term insurers and collective investment scheme management companies. Investment managers may elect to register with the Financial Surveillance Department as institutional investors.

The limit on foreign portfolio investments by institutional investors is applied to an institutional investor's total retail assets under management. The foreign exposure of retail assets may not exceed 30% in the case of retirement funds and the underwritten (non-linked) policy business of long-term insurers. Investment managers registered as institutional investors, collective investment scheme management companies and the investment-linked business of long-term insurers are restricted to 40% of total retail assets. It should be noted that compliance with the foreign portfolio investment limit does not preclude an institutional investor from also having to comply with any relevant prudential regulations as administered by the Financial Sector Conduct Authority. In addition to the foreign portfolio investment allowance, institutional investors also qualify for an additional 10% African allowance.

Since 2014, South African listed companies have been permitted to secondary list and/or list depository receipt programmes on foreign exchanges to facilitate local and offshore foreign direct investment expansions.

Non-resident entities, local authorised dealers and the JSE Limited are allowed to issue inward listed instruments referencing foreign assets on the JSE Limited. Local collective investment scheme management companies registered with the Financial Sector Conduct Authority and regulated under the Collective Investment Scheme Control Act, 2002 (Act 45 of 2002) are allowed, with the prior approval of the Financial Surveillance Department, to inward list exchange traded funds referencing foreign assets on the JSE Limited.

In the 2017, the Minister of Finance announced South Africa's undertaking to review and benchmark its capital flows management framework against best practices in other developing economies and other fast-growing markets. Pursuant to the announcement, the Financial Surveillance Department and National Treasury are collaborating on a project to bring about the benchmarking of South Africa's capital flows management framework against international standards.

The Financial Surveillance Department, in close cooperation with National Treasury, the FIC and SARS, is taking several steps to detect, disrupt and deter illicit financial flows (IFFs). These steps include a collaborative approach to sharing information and working with other authorities/agencies, with a view to mitigating IFFs, as well as an awareness campaign involving Authorised Dealers to promote early detection and the reporting of suspicious cross-border transactions or activities involving their clients.

Regulating cross-border transactions, preventing the abuse of the financial system and supporting the prudential regulation of financial institutions remain priorities in the modernising of capital flow management.

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The microlending industry

The Department of Trade and Industry introduced the NCA of 2005 to allow the credit market to function in a robust and effective manner.

The NCA of 2005 replaced the Usury Act, 1968 (Act 73 of 1968), and the Credit Agreements Act, 1980 (Act 75 of 1980).

The NCA of 2005 regulates the granting of consumer credit by all credit providers, including micro-lenders, banks and retailers.

The National Credit Regulator (NCR) and the National Consumer Tribunal play a vital role in ensuring enforcement, promoting access to redress and adjudicating contraventions of the Act. Out of a population of 54 million, South Africa has just over 18 million credit-active consumers.

The NCR is responsible for regulating the South African credit industry. Its mandate includes:

- carrying out education, research and policy development
- registering industry participants
- investigating complaints
- ensuring that the Act is enforced.

In terms of the Act, the NCR has to promote the development of an accessible credit market to meet the needs of people who were previously disadvantaged, earn a low income or live in remote, isolated or low-density communities.

The National Consumer Tribunal adjudicates various applications and hears cases against those who contravene the Act. The Act provides for the registration of debt counsellors to assist over-indebted consumers. Debt counsellors are required to undergo training approved by the NCR through approved training service providers appointed by the regulator.

Other financial institutions

Co-Operative Banks Development Agency

The CBDA was established to regulate, promote and develop co-operative banking, including deposit-taking and lending co-operatives.

The agency envisages a strong and vibrant co-operative banking sector that broadens access to and participation in diversified financial services towards economic and social well-being.

The functions of the CBDA are to:

- register, regulate and supervise co-operative banks.
- promote, register and regulate representative bodies.
- facilitate, promote and fund education and training to enhance the work of co-operative financial institutions.
- accredit and regulate support organisations.
- provide liquidity support to registered co-operative banks through loans or grants.
- manage a deposit insurance fund.

Development Bank of Southern Africa

The DBSA Act of 1997 stipulates that the DBSA's main role is to promote economic development and growth, human-resource development and institutional capacity-building.

The DBSA achieves this by mobilising financial and other resources from the private and public sectors, both nationally and internationally, for sustainable development projects and programmes.

The DBSA will take the lead in developing South Africa's municipal debt market to accelerate both public and private sector investment in urban renewal.

The DBSA will continue to manage the Infrastructure and Investment Programme for South Africa, which is a partnership with the European Commission to strengthen project preparation and co-funding arrangements.

It also provides support to the Independent Power Producer Programme, which will be extended to include new generation capacity from hydro, coal and gas sources to complement Eskom's base-load energy capacity.

Co-generation and demand management initiatives are also being supported.

Land and Agricultural Development Bank (Land Bank)

The Land Bank operates as a development finance institution within the agricultural and agribusiness sectors, and is regulated by the Land Bank Act of 2002.

The Land Bank provides a range of financing products to a broad spectrum of clients within the agricultural industry. Financing products include wholesale and retail financing to commercial and developing farmers, co-operatives and other agriculture-related businesses.

The Land Bank's objectives are defined within its mandate, which requires that it should achieve:

- growth in the commercial market
- growth in the development market
- business efficiency
- service delivery
- resource management
- sustainability.

The Land Bank is the sole shareholder in the Suid-Afrikaanse Verbandversekeringsmaatskappy Beperk, which provides insurance to people indebted to the bank through mortgage loans.

Financial Services Board

The FSB is a regulatory institution, established in terms of the FSB Act of 1990.

The functions of the board include:

- supervising compliance with laws regulating financial institutions and the provision of financial services
- advising the Minister on matters concerning financial institutions and financial services
- promoting programmes and initiatives by financial institutions and bodies representing the financial services industry to inform and educate users and potential users of financial products and services.

The Financial Markets Act, 2012 (Act 19 of 2012) regulates financial markets and OTC derivatives. The Act brought South Africa in line with international norms and standards.

The Act ensures that financial markets in South Africa operate fairly, efficiently and transparently to promote investor confidence. It also ensures that the legislative and regulatory framework is brought in line with the recommendations of international standard-setting bodies such as the G20, Financial Stability Board, Basel Committee on Banking Supervision and the International Organisation of Securities Commissions.

The Act primarily focuses on the licensing and regulation of exchanges, central securities depositories, clearing houses, trade repositories and market infrastructure, as well as the prohibition of insider trading and other market abuses.

The Act also improves OTC trading in derivatives and does away with misleading and conflict-of-interest trading. This is one of several commitments made by the G20 countries.

Collective investment schemes (CIS)

CISes are investment structures where individual investor funds are pooled with those of other investors. Qualified asset managers regulated by the FAIS Act of 2002 invest these funds on behalf of the investor. Each investor owns units (participatory interest) in the total fund.

Financial advisers and intermediaries

The purpose of the FAIS Act of 2002 is to regulate, in pursuance of consumer protection, the provision of advice and intermediary services in respect of a range of financial products and services.

The FSB, through the FAIS Division, is responsible for regulating the rendering of financial advisory and intermediary services by FSPs, in respect of a wide range of financial products.

In terms of the provisions of the FAIS Act of 2002, before conducting any transaction, consumers should ensure that the FSP they are dealing with has obtained a licence from the FSB. Information on authorised FSPs may be obtained from the FSB website.

Recognised representative bodies

Section 6(3)(iii) of the FAIS Act of 2002 provides for the Registrar of FSPs to delegate any of its powers, in terms of the Act, to anybody recognised by the Act.

Two such functions, the consideration of applications for licences under Section 8 and the consideration of applications for approval of compliance officers under Section 17(2) of the Act, were delegated to two recognised representative bodies. As recognised examination bodies, another four bodies are responsible for developing and delivering the regulatory examination.

Advisory Committee on Financial Service Providers

The Minister of Finance appointed the Advisory Committee on FSPs, whose function, is to investigate and report, or advise on any matter covered by the FAIS Act of 2002.

The advisory committee comprises a chairperson, a representative of the Council for Medical Schemes, established by Section 3 of the Medical Schemes Act, 1998 (Act 131 of 1998), persons representative of product suppliers, FSPs and clients involved in the application of this Act. The members of the advisory committee, except for the Registrar and Deputy Registrar, who are ex officio members, hold office for a period determined by the Minister.

Licensing of financial service providers

The Registrar of FSPs authorises and renders ongoing supervision of the following FSPs:

- financial advisers and intermediaries who provide financial services without discretion
- those who offer discretionary intermediary services, in terms of financial product choice, but without implementing bulking
- hedge-fund managers
- investment administrators specialising mainly in the bulking of collective investments on behalf of clients (linked investment services providers)
- those who represent assistance business administrators who render intermediary services, in terms of the administration of assistance business (funeral policies), on behalf of an insurer to the extent agreed to in a written mandate between the two parties.

Insurance companies

Insurance is an agreement between a policyholder and an insurance company. It is divided into long and short-term insurance.

In terms of the Long-Term Insurance Act, 1998 (Act 52 of 1998) and the Short-Term Insurance Act, 1998 (Act 53 of 1998), all insurance companies must be registered by the FSB and must comply with the provisions of these Acts.

The insurance industry has appointed a short-term and long-term insurance Ombudsman to mediate dispute resolution between insurers and policy holders.

Market abuse

The Directorate: Market Abuse is an FSB committee responsible for combating market abuse in the financial markets in South Africa. The three forms of market abuse prohibited in South Africa are: insider trading, price manipulation and publication of false or misleading statements.

All three forms of market abuse are criminal contraventions. In addition, an offender may be referred to the FSB Enforcement Committee, which can impose unlimited penalties. In the case of insider trading contravention, such penalties are distributed to people who were prejudiced by the offending transactions.

Retirement funds

To encourage South Africans to save more, employer contributions to retirement funds have become an employee fringe benefit for tax purposes.

Individuals will be able to receive a tax deduction on employer and employee contributions to a pension fund, provident fund or retirement annuity fund up to 27.5% of the greater of remuneration and taxable income.

An annual cap on deductible contributions of R350 000 will apply.

In addition, Government is exploring ways to increase retirement fund coverage to all workers.

Enforcement

The Enforcement Committee of the FSB adjudicates on all alleged contraventions of legislation, regulations, and codes of conduct administered by the FSB within the South African non-banking financial services industry.

The FSB administers the following Acts:

- CIS Control Act, 2002 (Act 45 of 2002)
- FSB Act of 1990
- FAIS Act of 2002
- Financial Institutions (Protection of Funds) Act, 2001 (Act 28 of 2001)
- Financial Supervision of the RAF Act, 1993, (Act 8 of 1993)

- Friendly Societies Act, 1956 (Act 25 of 1956)
- Inspection of Financial Institutions Act, 1998 (Act 80 of 1998)
- Long-Term Insurance Act of 1998
- Pension Funds Act, 1956 (Act 25 of 1956)
- Short-Term Insurance Act of 1990
- Supervision of the Financial Institutions Rationalisation Act, 1996 (Act 32 of 1996)
- Securities Services Act, 2004 (Act 36 of 2004).

The committee considers cases of alleged contraventions of legislation administered by the FSB. The industries regulated by the FSB include: CISes, FSPs, insurance, nominee companies, retirement funds and friendly societies.

The committee may impose unlimited penalties, compensation orders and cost orders. Such orders are enforceable as if they were judgments of the Supreme Court of South Africa.

Government bonds

National Treasury has been working with the JSE, the SARB, Share Transactions Totally Electronic (Strate), primary dealer banks and the World Bank to develop an electronic trading platform for government bonds. The pilot launch of the platform went live on 18 July 2018. It is expected to increase liquidity and transparency, and to reduce funding costs, by simplifying access to government bonds.

The rise in non-resident holdings is partly a result of extremely low interest rates in advanced economies, which has prompted global investors to look for higher yields in developing countries. South Africa's sophisticated capital markets and strong institutions also support continued investment flows.

Domestic pension funds remain the largest holders of inflation-linked bonds which are used to match their long-term liabilities and hedge against inflation. Foreign investors hold only 2% due to the low liquidity of inflation-linked bonds and the fact that they offer lower returns than fixed-rate bonds.

Long-term insurers are the second-largest holders of domestic inflation-linked bonds. Similar to pension funds, long-term insurers use these instruments as a protection against inflation.

Domestic long-term borrowing

Over the medium term, fixed-rate bonds, which account for 80% of domestic bond issuance, will anchor the portfolio, allowing government to manage interest rate risk.

Issuance of inflation-linked bonds will be limited to 20% to minimise the effect of revaluation on debt stock. New issuance in domestic capital markets will reach R197 billion in 2019/20.

Retail savings bonds, which encourage household savings, will provide funding of about R3.5 billion.

International borrowing

Government issues debt in global capital markets to meet part of its foreign-currency commitments, set benchmarks and diversify funding sources.

The rand equivalent of these loans and interest payments changes with the exchange rate. To manage this risk, portfolio benchmarks limit foreign-currency debt to 15% of the portfolio.

Over the medium term, borrowing in global markets will average US$2 billion per year.

Government started to fully finance its foreign currency commitments in 2017 – by borrowing in global capital markets. This marked a shift from previous practice. The rand value of this international debt fluctuates with exchange rates, which is why the strategic risk portfolio benchmark limits foreign currency debt to 15% of the total portfolio. This debt currently stands at 8.8%, and is expected to remain within the limit over the medium term.

To meet foreign currency commitments fully, government has increased its foreign financing levels to US$9 billion over the next three years. Government will continue to build up cash for a large redemption of US$3.5 billion due in 2019/20.

Foreign Exchange

The Foreign Exchange Operations Section within the Financial Markets Department is entrusted with the responsibility of conducting foreign exchange operations of the SARB and monitoring foreign exchange activities of authorised dealers and the broader market participants. This function also involves engaging with various market participants locally and offshore, including official institutions to gather market information and intelligence to support internal decision-making in the implementation of monetary policy, exchange rate policy and management of the SARB's foreign exchange reserves. To this end, the Foreign Exchange Section performs the following functions:

- conducting spot and forward foreign exchange transactions for the purpose of accumulating foreign exchange reserves;
- conducting foreign exchange swap transactions in the domestic forward market for domestic liquidity management;
- management of the foreign exchange reserves working capital portfolio by investing funds in term deposit accounts with foreign banks and official institutions;
- servicing the foreign exchange needs of the SARB and its clients, including the government;
- conducting research and analysis into movements and trends across financial markets;
- analysing the impact of the SARB's foreign exchange operations;
- promoting the effective function of the domestic financial markets by monitoring and gathering of market information and market intelligence in developments in the local and international markets;
- providing management information on the foreign exchange markets to the Senior Management of the department as well as the Executive Management of the SARB; and
- performing administrative function of the South African Foreign Exchange Committee, which has been established under the sponsorship and leadership of the SARB.

Exchange controls

Exchange Control Regulations are administered by the SARB, on behalf of the Minister of Finance. The Minister of Finance has also appointed certain banks to act as authorised dealers in foreign exchange, as well as authorised dealers in foreign exchange with limited authority, which gives them the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by the Financial Surveillance Department of the SARB. Authorised dealers are not agents for the Financial Surveillance Department, but act on behalf of their customers.

Under exchange control regulations, there are no limitations as to how much money may be brought into South Africa, but there are certain limitations on the amount of money that may be transferred out of South Africa.

For all non-South Africans, there is no limitation on transferring money out of South Africa.

Foreign debt

South Africa's total external debt decreased notably from US$183.2 billion at the end of March 2018 to US$170.8 billion at the end of June due to non-residents' net sales of domestic randdenominated government bonds as well as valuation effects.

The increase in South Africa's total external debt, in rand terms – from R2 165 billion at the end of March 2018 to R2 347 billion at the end of June – reflected the valuation effect of the depreciation in the exchange value of the rand on foreign currency-denominated debt.

Foreign currency-denominated external debt increased from US$75.9 billion at the end of March 2018 to US$81.6 billion at the end of June. International bond issuances by national government and the domestic banking sector, together with long-term loans extended to the private sector contributed largely to the increase.

Johannesburg Stock Exchange Ltd

The JSE Ltd is privately owned and funded, and governed by a board of directors. Its activities are licensed and regulated by two Acts of Parliament, namely the Stock Exchanges Control Act, 1985 (Act 1 of 1985), which governs the equities markets, and the Financial Markets Control Act, 1989 (Act 55 of 1989), which governs the derivatives markets.

In keeping with international practice, the JSE Ltd regulates its members and ensures that markets operate in a transparent way, ensuring investor protection. Similarly, issuers of securities must comply with the JSE Ltd listings requirements, which ensure sufficient disclosure of all information relevant to investors.

The JSE Ltd's roles include regulating applications for listing and ensuring that listed companies continue to meet their obligations. The JSE Ltd monitors applications for alterations to existing listings, and scrutinises company disclosures to the public. It also provides the Stock Exchange News Service through which company news, including price-sensitive information, is distributed to the market.

The JSE Ltd has been bold in restructuring, in view of increasingly tough global competition, adopting new technologies and outsourcing aspects of its business.

The JSE Ltd opened to corporate membership, resulting in a stampede by foreign banks, which have bought out most of the major local broking firms, using these as platforms for other financial services, such as corporate and government advisory work.

The electronic settlement system, Strate, has replaced the previous manual settlement method. Strate Ltd is the licensed Central Securities Depository for the electronic settlement of financial instruments in South Africa.

The JSE Ltd's trading and information systems were replaced with the London Stock Exchange's (LSE) Sequence and the London Market Information Link systems, branded JSE SETS and InfoWiz, respectively.

The trading engine and information dissemination feed-handler is hosted in London and connected remotely to the JSE Ltd 9 000 km away, via a transcontinental undersea cable and an innovative, integrated solutions design. More than 1 500 traders and information users access the system, using a sophisticated application service provider with subsecond response time.

The JSE Ltd has also aligned its equities trading model with that of Europe, and reclassified its instruments in line with the Financial Times of London Stock Exchange (FTSE) Global Classification System. This has led to the introduction of the FTSE/JSE Africa Index Series that makes the South African indices comparable to similar indices worldwide.

One of the most reliable trading platforms worldwide serves the investment community. The LSE can now disseminate trade information about instruments listed on the JSE Ltd to more than 104 000 trading terminals around the world, raising the profile of the JSE Ltd among the members of the international investor community.