

Treasury Management in South Africa

[Copyright 1999 - Knowledge Management Applications - All Rights Reserved - Updated 1999-12-07](#)

South Africa Overview

South Africa is a large country occupying the southern tip of the African continent.

The unit of currency is the South African Rand (ZAR). It is divided into 100 cents and commonly referred to as the Rand. The Rand is freely traded on the foreign exchange market with its value determined by market conditions. The central bank maintains a strong commitment to preserving the value of the Rand and uses the US dollar as its intervention currency.

The South African Reserve Bank (SARB) is the central bank and is responsible for banking supervision and regulation of the payment mechanisms in the country. Central bank and other government reporting requirements have almost no impact on cash management activity and the regulatory environment is open.

There are three payment and clearing systems in South Africa that relate to cash and treasury management.

1. The South African Multiple Option Settlement (SAMOS) system is a Real Time Gross Settlement (RTGS) system owned and operated by the South African Reserve Bank (SARB). Participants use an interbank settlement network known as SARBLink or SWIFT to transmit payment and settlement instructions to SAMOS. Settlement takes place through participant accounts with the SARB. All licensed banks are eligible to participate in SAMOS and there is no minimum or maximum value for transactions through SAMOS.
2. The Automated Clearing Bureau (ACB) is a clearing house operated by Bankserv that provides check clearing and electronic funds transfer services in South Africa. Bankserv is owned and operated by the "big four" banks and operates under SARB oversight. For check clearing, participants transmit details of deposited checks to ACB centers on a daily basis or manually pass details to local clearing houses less frequently. For checks presented at an ACB center, the net settlement amount is determined at 9:00am on the next business day for value on the day of presentment. Settlement is through participant accounts with the SARB.
3. The ACB also operates an electronic funds transfer (EFT) service which is functionally identical to an ACH. EFT participants transmit transaction files to an ACB center which processes the files on behalf of participants. Settlement is on a net basis through participant accounts with the SARB or their designated financial institution. As with the check clearing, the net settlement amount is determined at 9:00am on the day following transmission for value on the day of transmission. There is no minimum or maximum value for transactions effected through EFT.

All companies are subject to tax on their South African source income excluding capital gains during an accounting period. Companies where

Weblinks

[SA Financial Sector Forum](#)

Background information from the [Library of Congress](#), [USCIA](#), and [US State Department](#)

Country profile information from [Ernst & Young](#)

Summary tax information from [DTT WorldTax](#)

News and policies of the [South African Reserve Bank](#)

General government information from the [Department of Finance](#), [Department of Trade and Industry](#), and [South African Government Information](#)

Association websites of the [ACT Southern Africa](#), [The Banking](#)

management and control is within South Africa are subject to a basic tax of 30% on income. Companies where management and control are exercised outside of South Africa are considered branches and are taxed at a basic rate of 35%. Companies taxed at the 30% rate are also assessed a secondary tax at the rate of 12.5% on dividends declared net of dividends received.

Treasury Management

Recent political changes in South Africa have created an environment where global integration is more important than import substitution initiatives. A rapidly developing financial infrastructure, increased competition, and a convertible currency have encouraged the adoption of more sophisticated treasury management techniques. Accordingly, MNCs operating in South Africa are increasingly likely to participate in a global treasury system and use electronic banking products and services for their domestic operations.

Many common treasury management techniques are permitted in South Africa; specifically multilateral netting and leading/lagging. Notional pooling is not permitted.

Past political isolation of South Africa and the former dual exchange rate structure have limited the use of the Rand in international commerce. Accordingly, traditional currencies of trade such as the US dollar, Euro, GBP, and Japanese Yen are often used for trade purposes in lieu of the Rand.

Multiple ZAR accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted and are common business practice.

Accounts

The basic ZAR operating account is referred to as a current account and may be held by resident or non-resident corporations. Interest is paid on current accounts maintained by corporations and overdrafts are permitted subject to mutual agreement with the bank.

Resident and non-resident corporations registered in South Africa may hold accounts in South Africa that are denominated in Rand, US Dollars, and other currencies without special approval from the SARB.

Interest is available on current accounts. Higher rates are available on money market accounts, time deposits and CD's. The former range from overnight to almost a year while the latter are generally available for periods of three, six, and nine months.

Overdrafts are permitted, with the amount and rate determined by each bank. Other common sources of short term finance include term loans ranging in tenor from overnight to one year and banker's acceptances.

Payments and Receipts

Cash is a common means of settling retail obligations. Among the portion of the population with bank accounts, checks and direct debits/credits are preferred with checks in general decline. Debit and credit cards are growing in popularity and there is a nationwide network of ATMS. Large value obligations are settled on a same day basis through SAMOS.

Lockbox type arrangements are permitted as are private courier systems.

[Council](#), [The South African Institute of Chartered Accountants](#), [SACOB](#), and the [Johannesburg Chamber of Commerce & Industry](#)

Commercial banking websites of [ABSA](#), [First National Bank](#), [Nedcor Group](#), [Rand Merchant Bank](#), and [Standard Bank of South Africa Limited](#)

Online editions of [Business Day](#) and [Mail and Guardian](#)

Special information from [Bankserv](#), [E-commerce](#), and [ECnet](#)

Neither are common business practice because of same day concentration arrangements offered by the "big four" banks.

Controlled disbursement is not possible because of clearing system cutoff times. As interest can be earned on current accounts and sweeps from higher earning time deposits are available there is no need for controlled disbursement.

Technology and Marketplace

Electronic banking products including access systems and balance reporting, are readily available in South Africa and commonly used. Electronic commerce is becoming more important with major banks establishing VANS and joint ventures to capture commercial transactions. South Africa has a rapidly developing telecommunications system with increased use of digital switches. Bandwidth rates are falling and availability is increasing.

The South Africa banking infrastructure is modern and sophisticated and results from government encouragement to conform to international standards. Relative to other parts of Africa the demand for banking services is high. Previously, based on the UK banking system, banks and mutual building societies (providing mortgage loans) served the population. In the last ten years building societies have become banks or merged with banks. The few remaining mutual financial institutions play a small role. The banks have the principal role in commerce and the payments system. There are currently more than 50 fully licensed institutions and more than 60 representative offices of foreign banks conducted banking in South Africa. Among the indigenous banks the "big four" currently account for more than 75% of total bank assets. They are the Amalgamated Banks of South Africa (ABSA), Standard Bank Group (Stanbic), First National Bank, and Nedcor. Citibank is one of the few foreign banks with a full commercial banking license and Standard Chartered and Barclays are other major foreign players. Traditional international treasury management providers with South African presence include Societe Generale, ABN-AMRO, and HSBC.

Treasury Management in South Africa

[Copyright 1999 - Knowledge Management Applications - All Rights Reserved - Updated 1999-12-07](#)

Terms and Conditions of Use - The copyright of this document is owned by Knowledge Management Applications. You may display this document on a computer screen, print the entire document on paper, email the document to others, and store the document in electronic form on disk on any server or other storage device connected to a network for your personal use. You may not modify, extract pages, or in any way commercially exploit the document. The document is for your general information and does not constitute any form of advice, recommendation, or arrangement by Knowledge Management Applications. The information in this document is provided "as is" and there is no guarantee as to accuracy, completeness, or fitness for a particular purpose. The document contains direct links to sites on the World Wide Web. These sites are provided and maintained by others and your use of these links constitutes your acceptance of each site's terms and conditions of use. Your use of this document constitutes your acceptance of these conditions.