

Media Release

Association for Savings and Investment South Africa (ASISA)

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Policy change on inward-listings good news for investors

The announcement earlier this week by Finance Minister Pravin Gordhan that all inward-listed shares on the JSE will be classified as domestic assets and included on the JSE indices is very good news for investors, according to the Association for Savings and Investment South Africa (ASISA).

Leon Campher, CEO of ASISA, says once implemented, this change in policy will open up the entire JSE as an investible universe for institutional investors without restrictions.

He explains that at present companies with a primary listing on a foreign stock exchange and a secondary listing on the JSE are deemed foreign shares. The exceptions are the so-called “London Five”, which are Anglo American, BHP Billiton, SABMiller, Old Mutual, and Investec. The “London Five” are South African companies with a primary listing on the London Stock Exchange and the secondary listing on the JSE.

Campher says institutional investors such as retirement funds, life companies and unit trust funds are restricted by prudential limits when investing in foreign assets. In terms of these limits, retirement funds can invest 25% of total assets in foreign assets, Collective Investment Scheme (CIS) companies can invest 35% of retail assets in foreign assets, and life companies can invest 35% of retail market linked assets in foreign assets.

“There are 32 foreign counters on the JSE, including British American Tabaco (BAT) and Aquarius Platinum. Currently institutional investors are restricted in terms of how much they can invest in these stocks, that is by utilising their prudential foreign allowance. But once the reclassification has been implemented, institutional investors can include these stocks in their domestic portion of the portfolio and use the prudential limits referred to above for true foreign diversification.”

Campher says the change in policy will also enable the JSE to include these counters in its indices in one way or another. This was previously not possible, because local investors could not buy these shares without restriction.

Campher says the shift in policy is good news for the companies concerned since they are likely to experience increased trading in their shares, which will in turn improve liquidity. “We are also likely to see an increase in JSE listings, which will further enhance the investment universe for investors.”

Campher comments that the change in policy removes the risk that the “London Five” would eventually be forced to reclassify as foreign assets.

The policy change was prompted by comments on the Prudential Regulation of Foreign Exposure for Institutional Investors by stakeholders such as ASISA and the JSE.

Campher joined Russell Loubser, CEO of the JSE, in thanking National Treasury, the FSB and the South African Reserve Bank (SARB) for having considered the views of stakeholders in a professional and thoughtful manner and for their willingness to engage on the issue.

“I would like to make the point that the policy change on inward-listings has come about as a result of continued engagement in good faith by all stakeholders. It is my view that this is one of the biggest achievements this year and I would like to thank National Treasury, the FSB, SARB and the JSE for their consistent professional approach.”

Campher says National Treasury, the FSB, SARB, the JSE and ASISA will now work together on implementing the new inward-listings policy.

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To set up interviews please contact:

Lucienne Fild
Independent Communications Consultant
082 567 1533
lucienne@mweb.co.za

Issued on behalf of:

Leon Campher
Chief Executive Officer
Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies. ASISA was formed in 2008 by members of the Association of Collective Investments (ACI), the Investment Management Association of South Africa (IMASA), the Linked Investment Service Providers Association (LISPA) and the Life Offices' Association (LOA).