Exchange Control Regulations in the CMA: Is Lesotho Lagging Behind?

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Abstract

The liberalization of exchange control regulations by the Common Monetary Area (CMA) countries and Lesotho in particular, is a commendable milestone though there is still a long way towards full liberalization. As indicated in the National Strategic Development Plan (NSDP) for 2012/13-2016/17, it is part of the Government of Lesotho's (GoL's) strategy to encourage cross-border trade and for the country to operate as a liberal open economy. In a nutshell, the study reveals that the CMA countries are at par in terms of exchange control liberalization on a number of transactions. However, South Africa (SA) is the most liberalized within the region and this is mainly attributable to the fact that it is more developed and, also has more developed capital and financial market compared to the rest of the CMA member countries. In a number of transactions, Lesotho is more or less liberalized than Namibia and Swaziland, however, in such instances - the gap is narrow.

Keywords: Current Account, Capital and Financial Account, Exchange Control Liberalization, Exchange Control Regulations

JEL Classification: E49, E58, E59

1. Introduction

Exchange controls are policies that countries design and implement with the general objective of limiting and/or redirecting their foreign exchange transactions. Foreign exchange in Lesotho is defined as any currency, or means of payment, that is not legal tender in Lesotho. Thus, the South African rand and any other rand-denominated means of payment is not considered as foreign exchange since it circulates freely in Lesotho amid the Common Monetary Area (CMA)[1] agreement. There are many purposes behind exchange controls[2] and these have evolved quite interestingly over time. According to Neely (1999) exchange controls were used to maintain a tax base in order to finance wartime expenditures during World War I. During the Great Depression of the 1930s exchange controls were intended to enhance the ability of countries to boost their economies without the threat of capital flight. During the fixed exchange rate regimes of the Bretton Woods era countries limited foreign exchange transactions to minimize balance of payments (BOP) challenges.

Similar to many other countries, Lesotho has exchange control regulations in place and these are derived from the country's membership to the CMA. Exchange control regulations in the CMA were initially introduced through the South African Currency and Exchange Control Act 9 of 1933, and this was later changed to Exchange Control, Orders and Rules of 1961 (Ellyne and Letete, 2012). According to Ellyne and Letete (2012), the objectives behind the introduction of exchange controls in the CMA were to minimize the outflow of capital during the apartheid regime in South Africa (SA) with the purpose of maintaining adequate levels of foreign reserves and national savings, and therefore preventing erosion of the tax base on interest and dividends. They were also intended to enable foreign owned companies to bring capital from external sources to support SA's economy while controlling their domestic borrowing.

However, these regulations and rules continued to be amended as the CMA countries progressed with their respective liberalization processes. According to the CMA agreement, member countries are committed to maintaining exchange controls that are in line with those prevailing in South Africa (SA). In this regard, Article 5 of the CMA agreement states that the enactment, modifications and liberalization of exchange control regulations for all the

[1] Comprises: Lesotho, Namibia, South Africa and Swaziland.
[2] Both on the Current account, and capital and financial account.

CMA countries closely follow South African regulations. The Article further requires the exchange control regulations of Lesotho, Namibia and Swaziland (LNS countries) to be similar or tighter than those in effect in SA, but not more relaxed. Individual countries are responsible for implementation of those regulations, and usually this responsibility is vested with the respective Ministries of Finance, which usually delegates such responsibility to the Central Bank.

In terms of institutional arrangements, the exchange control regulations in the CMA allow for free movement of capital between member states. These regulations are enacted in line with the CMA agreement of 1986 and allow for free flow of funds within the CMA countries, while concurrently imposing common restrictions to the third parties around the CMA countries. As articulated in Article 3 of the CMA Agreement, there shall be no restrictions imposed on the transfer of funds (current or capital transactions), to or from any member country.

Liberalization of exchange controls in the CMA implies that no single member state can pursue unilateral exchange control liberation, it remains a consultative process led by SA. The member countries have been progressively liberalizing their exchange control systems since 1994 (Ellyne and Letete, 2012). The gradual approach of liberalizing involves a process of increasing the limits on permitted foreign exchange transactions. As the limits become sufficiently high and are no longer binding, then they will be abolished. Economic reasons for maintaining exchange controls include: increasing the domestic savings and investment by residents; protecting the financial sector from sudden swings in capital flows and exchange rate risks; and minimizing money laundering[3]

The objective of this paper is to assess the current status of exchange control regulations in the CMA in order to gauge Lesotho in comparison with its CMA counterparts. The rest of the paper is structured as follows: after this introduction, section 2 briefly reviews the empirical literature behind exchange control regulations, while section 3 summarises the evolution of exchange control regulations across the CMA countries. The cross-country comparison is captured in section 4. Section 5 concludes the paper and offers some policy recommendations for consideration.

[3] Blueprint of the development of the Foreign Exchange Market in Lesotho, July 2002

2. Empirical Literature

The literature on exchange controls is quiet scarce and the findings regarding the effectiveness of controls in curtailing capital flight and on their impact on macroeconomic outcomes are diverse. On the one hand, the experiences of China and India during the Asian crisis of 1997-98 seem to suggest that the controls on capital transactions may have contributed in reducing the vulnerability of these countries to the effects of the crisis. According to Ariyoshi *et al*. (2000) the controls helped to shift the composition of capital inflows toward longer-term flows. Furthermore, in both countries, enforcement of the controls was facilitated by strong administrative capacity. Nonetheless, other factors including strong external positions with ample foreign exchange reserves, larger sizes of the domestic markets, relatively weak trade and financial linkages with the rest of the world may have also played a role in reducing China and India's financial vulnerability.

On the other hand, Neely (1999) contends that the exchange controls resulted in costs and distortions leading to their gradual removal by developed countries from the 1960s and the less developed countries (LDCs) began to liberalize in the 1980s. According to the Organization for Economic Corporation and Development (OECD) in 1993, the decision to dismantle all capital controls in Australia in December 1983 and in New Zealand in December 1984 was preceded in each case by episodes of massive capital flight that the controls were unable to arrest. The results of the study by Tamarisa (1998) pointed out that while controls on current payments and transfers are a minor deterrent to trade, capital controls significantly reduce exports into developing and transition economies. Controls could also discourage foreign investments as some investors could view their existence as an indication that more stringent controls could be utilized in periods of economic crisis. Neely (1999) further showed that the use of controls results in administrative costs and also that their evasion fuels corruption. There appears to be a general view that exchange controls may temporarily relieve pressures on the BOP, but their positive impact cannot be sustained when the fundamental causes of the imbalances are not dealt with. Ariyoshi *et al*. (2000) and Neely (1999) observed that in the absence of adequate macroeconomic and financial policies, capital account liberalization may increase vulnerability to external and domestic shocks.

3. Country Studies

3.1 Case of entire CMA

As the CMA as a whole, several exchange control relaxations are in place. Among these, a single discretionary allowance of R1 million per adult and R200,000 per child per calendar year for purposes of travel, study allowance, gifts, donations and maintenance was introduced. This was in addition to R2 million individual foreign capital allowances. There was also removal of restrictions on payments for services rendered by non-residents, including directors' fees paid to non-residents. Furthermore, there was an increase in the prudential limit for direct and indirect foreign exposure by authorised dealers up to 25 per cent of their assets, excluding total shareholders' equity. Although there has been some relaxation of several exchange controls within the CMA, there are still some controls that are remaining.

- *Current account*

Pre-payment for imports of capital goods is still being limited to 50 per cent of ex-factory cost across all CMA member states. Second, there is a requirement to surrender unused foreign exchange from travel allowance within 30 days and surrender all foreign exchange holdings/earnings by individuals within a period of 30 days across all CMA countries. Third, in Lesotho, Namibia and Swaziland (LNS) countries, exporters are required to surrender their exports proceeds to banks within 180 days.

- *Financial account*

All outwards foreign direct investment (FDI) in excess of a given limits still needs approval of exchange control in SA while in other CMA countries, any outward investment (not necessarily FDI) needs approval from Exchange Control Departments. Authorised Dealers (ADs)[4] are allowed to undertake foreign investment based on a Macro Prudential Limit (MPL) of 25 per cent of assets. Institutional investors such as pension funds are subject to MPL of 30 per cent or 35 per cent of their assets in the CMA. Corporate subsidiaries are not allowed to lend to their parent companies outside the CMA. Even though there are

[4] These are usually commercial banks and their function is to assist the central bank in administering exchange controls

similarities in the CMA as a whole, the stages of liberalization differ across respective countries. Therefore, this section briefly looks at each individual country's progress (to-date) as far as exchange control liberalization process is concerned. For detailed exchange control regulations for each respective country, please refer to the appendix.

3.2 Case of Lesotho

The exchange control policy in Lesotho is the responsibility of the Ministry of Finance (MoF), but this has been delegated to the Central Bank of Lesotho (CBL). The exchange controls are administered through the Exchange Control Order No.175 of 1987 and are subject to Exchange Control Regulations of 1989 (CBL, various issues). ADs in Lesotho are the commercial banks and they are mandated to enforce exchange controls. The banking sector in the country is largely under-developed[5]. The CBL accumulates foreign exchange largely from government transactions, Southern African Customs Union (SACU) receipts and rand compensation.

- *Current account*

Despite on-going liberalization, certain restrictions still remain, such as restrictions on advance payments for importation of capital goods to 50 per cent of ex-factory costs. Import permits are required by the Ministry of Trade and Industry for certain classified commodities (this is more of a trade restrictions), and these permits specifically state the amounts of the goods that may be legally imported into the country. An exporter requires repatriation of export proceeds and has to complete Form 178[6] and have it stamped/endorsed by the commercial bank. In doing so, the commercial banks have to guarantee the repatriation of export proceeds within 6 months. However, Lesotho and hence the CMA has relaxed the requirement of surrendering export proceeds to commercial banks and this allows authorised companies to hold foreign exchange in the local foreign currency accounts for as long as they wish. Both the services and income transfer components within the current account are fully liberalized.

[5] Comprising of only four commercial banks (First National Bank, Nedbank, Standard Lesotho Bank and Postbank)
[6] This form is a declaration of goods exported for sale abroad.

- *Capital and financial account*

Lesotho has partially liberalized these accounts with non-CMA and fully liberalized with the CMA. All controls on inward financial flows are liberalized and non-residents are allowed by law to own and invest in fixed property in the country. However, there are still remaining limits to certain outwards flows (for both short-term and long-term capital) and these limits only apply to transfers to non-CMA countries. Lesotho residents are subject to a limit of M4 million per annum to invest outside the CMA for: fixed investment, equity bonds and money market portfolio investment instruments, and prior approval by the Central Bank is required. Furthermore, companies are not allowed to keep offshore accounts in excess of M4 million per annum. The transfer of dividends to non-CMA countries is not subjected to any limit as long as there are legal supporting documents such as the audited financial statements declaring dividends for the company[7].

3.3 Case of Namibia

The exchange control in Namibia is regulated by the Currency and Exchanges Act, 1933 (Act No.9 of 1933) and the Regulations. Similar to Lesotho, the exchange control policy in Namibia is the responsibility of the Ministry of Finance, but this has been delegated to the Bank of Namibia (BON) subject to the Exchange Control Regulations and Article 46 of the Bank of Namibia Act, 1997 (Act No.15 of 1997). The BON has delegated several exchange control functions to the commercial banks and these are appointed as ADs, in foreign exchange and they are mandated to assist the BON with administration of exchange controls. Just like Lesotho, exchange controls regulations in Namibia are governed by the CMA agreement. Similar to all the LNS countries, the liberalization of exchange controls in Namibia follows closely the SA liberalization process and the only differences are attributable to the limits set under certain exchange control relaxations.

- *Current account*

ADs are allowed to provide foreign exchange for advance payments up to 100 per cent of ex-factory cost of capital goods to be imported into Namibia to a total value not exceeding N$20 Million. Payments for the importation of capital goods in excess of N$20 Million may only

[7] This may lead to tax evasion and high capital outflows.

be provided up to 50 per cent of the ex-factory cost of the goods to be imported. All exports, except those which have been exempted administratively, must be supported by the prescribed declaration on Forms F178 and NEP[8] (depending on whether exported goods are for sale or not for sale abroad) irrespective of the country of destination of the goods.

- *Capital and financial account*

Namibia private individuals (natural persons) are allowed to invest up to a total of N$4 Million outside the CMA, but prior to the transfer of any funds, a duly completed tax clearance certificate issued by the Ministry of Finance must be presented to the AD. Namibian residents who are taking up permanent residence in any country outside the CMA are allowed to remit foreign capital allowance of N$4 Million and N$8 Million of individual persons and family units, respectively. Corporate entities in Namibia are allowed (upon approval by the BON) to transfer any amount in the form of FDI elsewhere in the world, provided a longer term benefit to Namibia can be demonstrated. Similar to SA, Namibia has moved away from the traditional exchange control framework, aimed at preventing the outflow of foreign exchange, towards a new thinking entailing direct regulation of macro-prudential financial management and anti-money laundering concerns, hence changing the organizational structure by moving exchange control department into the Financial Intelligence Unit (FIU).

3.4 Case of South Africa

The exchange control regulations in SA were initially introduced in 1933 through the Currency and Exchange Control Act 9 of 1933, which were later refined to Exchange Control, Orders and Rules of 1961. Similar to the rest of the CMA member countries, SA has also adopted a gradual approach towards liberalizing exchange controls since 1994 and, therefore the regulations and rules have been amended from time to time as the country progressed with its exchange control liberalization efforts. The latest regulations and rules operating exchange controls are Government Notice R.9 in Government Gazette No.33926 of 14 January 2011. Similar to other CMA countries, the responsibility of exchange control policy is vested with the National Treasury, however, the responsibility for implementation of these controls has been delegated to the South African Reserve Bank (SARB). Similarly,

[8] This form is a declaration of goods exported NOT for sale abroad, e.g. for exhibitions purposes, repairs, temporary exportation etc.

ADs have been appointed to implement these regulations. As indicated earlier, SA shifted from restrictive exchange controls to prudential regulations, reflecting a change in objective to include; financial soundness of institutions and stability of the financial system as a whole. Consequently, Exchange Control Department within the SARB was renamed the Financial Surveillance Department (FSD).

- *Current account*

Similar to other CMA member countries (except Namibia), advance payments for importation of capital goods is limited to 50 per cent of ex-factory costs on capital goods exceeding R10 million and 100 per cent on capital goods not exceeding R10 million. The SARB removed obligation to convert foreign earnings to domestic currency within 180 days by businesses engaged in foreign trade or earning foreign currency and this allowed such businesses to hold their repatriated earnings in their foreign currency accounts (FCAs). Furthermore, the use of Form F178 was abolished and this has reduced the administrative procedures and therefore improved efficiency and it is more cost effective.

- *Capital and financial account*

Restrictions on payments of services rendered by non-residents, including directors' fees paid to non-residents were removed. Furthermore, international companies with headquarters in SA (provided they meet prescribed shareholding and asset requirement criteria) are allowed to register for approval with the FSD to invest offshore without any restrictions.

3.5 Case of Swaziland

In Swaziland, the enabling legislation is the Exchange Control Order, 1974 and the Exchange Control Regulations issued under Legal Notice No.2 of 1975. The exchange control functions and duties are delegated to the Central Bank of Swaziland in terms of Section 48 of the Central Bank of Swaziland Order, 1975. The exchange control regulations in Swaziland are split into three broad clauses; prohibitive, mandatory and punitive. The *prohibitive* clauses tabulate what may not be done without administrative authorisation, the *mandatory* clauses detail what must be done in particular circumstances, and the *punitive* clauses specify the penalties for contraventions.

- *Current account*

Similar to all other CMA countries (Except Namibia) the limit on the advance payments for capital imports is 50 per cent of ex-factory cost for goods in excess of R10 million and 100 per cent for goods not exceeding R10 million. There are restrictions on goods related to second hand goods and pharmaceuticals, and both require an import permit and this is issued by the Ministry of Finance and it states the amount of the goods that may be legally imported. As far as exports are concerned, just like in the LNS countries, an exporter requires repatriation of export proceeds and has to complete Form 178 and have it stamped/endorsed by the commercial bank. In doing so, the commercial banks have to guarantee the repatriation of export proceeds within 6 months. Obligations to convert foreign earnings to domestic currency by businesses engaged in foreign trade or earning foreign currency were removed. This allowed such businesses to hold their repatriated earnings in their FCA as long as they wish.

- *Capital and financial account*

The biggest source of FDI is China and therefore Chinese textile investors have been given special dispensation from exchange controls. These are allowed to keep all their export proceeds offshore and only repatriate the funds needed to pay their local workers and other local operating expenses.

4. Current Status: Cross-Country Comparison

There are still a number of exchange controls in the CMA. There are a few areas in the different accounts where the CMA countries impose exactly the same restrictions while there are also some differences, particularly with respect to the limits imposed on different transactions.

4.1 Similarities throughout the CMA

- Export proceeds should be repatriated within 180 days of their accrual.
- Central Bank approval is required for barter or counter trade of any value.

- The limit on travel allowances is up to a discretionary allowance of R1.0 million per adult and R200 000.0 per child per annum.
- Central Bank approval is required for advance payments for tours and hotel accommodation, which are limited within the discretionary allowance of
- R1.0 million per adult and R200 000.0 per child per annum.
- Export of foreign bank notes by resident travellers is allowable within the discretionary allowance and when they return they may import bank notes within the amount originally exported.
- Non-resident travellers may export foreign bank notes against proof of prior importation.
- Prior central bank approval is required for emigrant settling-in allowances above R4.0 million per individual and R8.0 million per family unit.
- Central bank approval is required for residents temporarily abroad allowances, access to which is also limited within the discretionary allowance.
- Residents may not issue guarantees to non-residents without prior approval from the central bank.
- Residents may not enter into foreign loan agreements as borrowers without prior approval of the central bank.
- Foreign currency that has accrued to resident investors should be declared within 30 days of its accrual.
- Accrued foreign assets should also be declared within 30 days of their accrual.
- Residents may enter into loan agreements as lenders to non-residents without prior approval of the central bank for loans to the tune of R1.0 million and less, otherwise approval is required.
- Transfers of monetary gifts to non-residents and residents temporarily abroad of amounts that fall within the discretionary allowance of R1.0 million per calendar year may be effected without prior approval of the central bank.

4.2 Transactions on which Lesotho is more liberalized than other CMA countries

- Lesotho, SA and Swaziland are liberalized and Namibia is the only CMA country that imposes an obligation that export proceeds in onshore customer foreign currency (CFC) accounts should be converted to local currency within 180 days of accrual.

- While Lesotho and SA require prior CB approval for exports of personal effects of travellers worth R200 000.00 and above Namibia and Swaziland impose a lower limit of R50 000.00.
- Advance payment for imports of capital goods is restricted to 50.0 per cent for goods of ex-factory cost of R10.0 million or more while 100.0 per cent is allowed for goods costing less for Lesotho, SA and Swaziland and 100.0 per cent of ex-factory cost for goods amounting to R20.0 million for Namibia.
- Lesotho, Namibia and SA impose a limit of R25 000.00 for bank notes that may be exported (imported) by resident (non-resident) travellers and they are more liberalized than Swaziland whose limit is R15 000.00.
- Retirement funds can hold foreign portfolio investments of up to 25.0 per cent of the total retail assets in Lesotho and SA and only 20.0 per cent in Swaziland. The limit is 35.0 per cent of total assets in Namibia.
- Alimony is limited within the discretionary allowance in Lesotho and SA and a limit of R9 000.00 per month is imposed by Namibia and Swaziland.

4.3 Transactions on which Lesotho is less liberalized than other CMA countries

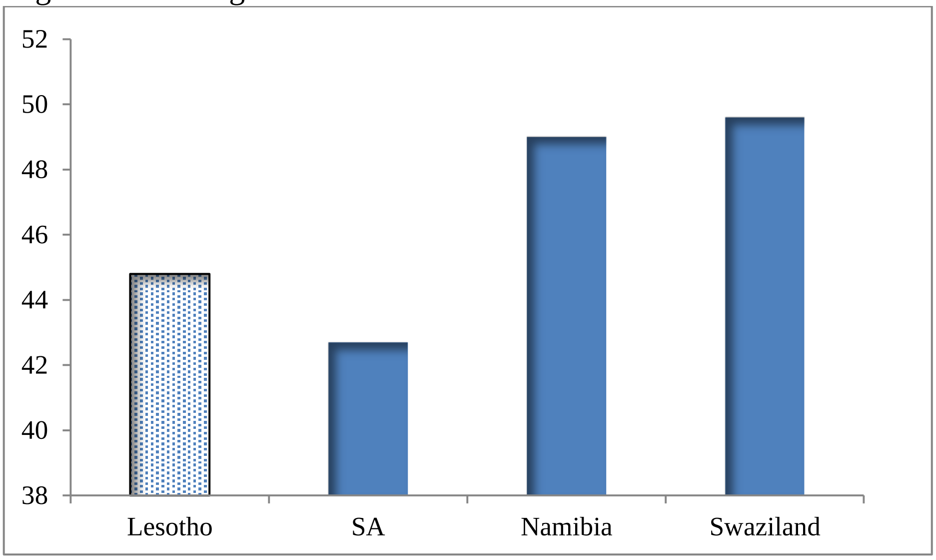
- Regarding emigrants' household and personal effects and motor vehicles SA is fully liberalized followed by Lesotho which imposes a limit of R2 000 000.00 while Namibia and Swaziland are less liberalized with a limit of R1 000 000.00.
- Lesotho and Namibia allow the use of credit cards up to a maximum of R20 000.00 while SA and Swaziland are more liberalized at R50 000.00.
- Lesotho and SA restrict study allowance for student accompanied by spouse to R1.5 million and are less liberalized than Namibia and Swaziland whose limit is R2.0 million.
- On the financial account, concerning outward FDI, SA limits foreign bank accounts that private individuals may maintain and investments on fixed property, equity, portfolio investment, bonds and money market instruments to R10.0 million while the limit is R4.0 million for the same transactions in the rest of the CMA countries.
- With regard to holding of foreign portfolio investments by Long-term insurers, SA is more liberalized because it allows 35.0 per cent of total retail assets with linked companies. Lesotho is more liberalized than Swaziland.

4.4 Summary

The detailed tables in the appendix depict that in most instances, the CMA countries impose exactly the same restrictions with exactly the same limits on a number of transactions. However, there are still some areas of variations among the CMA countries. There are a few areas where Lesotho imposes more liberal limits and in all the cases it shares this with one or two other CMA countries. There are also a few cases where Lesotho is less liberalized compared with other CMA countries (See the appendix for detailed current status on exchange control regulations in the CMA).

Similar findings can also be observed when we analyse the Exchange Control Restrictiveness Indices (ECRI) calculated for the entire region by Ellyne and Letete (2013). The ECRI translated 153 quantitative and qualitative exchange control restrictions into a single index of easily accessible and understandable indicators[9]. Figure 1 shows that in 2013, SA was the most liberalised country followed by Lesotho, and then Namibia. Furthermore, the figure depicts that Swaziland is the less liberalised country in the CMA.

Figure 1: Exchange Control Restrictiveness Indices for the CMA - 2013



Source: Ellyne and Letete (2013)

[9] The indices were calculated for the entire SADC countries and an index is structured in such a way that a higher (lower) number represents greater (lesser) restrictiveness. For detailed description of ECRI, see Ellyne and Letete (2012).

5. Conclusions and Recommendations

The liberalization of exchange controls by the CMA countries and Lesotho in particular, is a commendable milestone though there is still a long way towards full liberalization. The CMA countries are at par in liberalizing a number of transactions. SA is the most liberalized within the region and this is largely attributable to the fact that it is more developed and has more developed capital and financial markets compared to the rest of the CMA member countries. In a small number of cases where Lesotho is more or less liberalized than Namibia and Swaziland, the gaps are narrow. These findings are in line with the recently estimated Exchange Control Restrictiveness Indices (ECRI) by Ellyne and Letete (2013).

Figure 1 depicts that ECRI for 2013 was estimated at 42.7, 44.8, 49.0 and 49.6 for SA, Lesotho, Namibia and Swaziland, respectively. Thus reiterating the fact that SA is the most liberalized country in the CMA, followed by Lesotho, then Namibia and least liberalized, Swaziland. Therefore, Lesotho should continue with the exchange control liberalization that mainly responds to liberalization developments in SA as dictated by its CMA membership. It is important for Lesotho and other CMA countries to ultimately attain full liberalization because while there seems to be a consensus that exchange controls may minimize pressure on the BOP and help maintain adequate levels of reserves, their effectiveness may diminish over time as people find means and ways of evading them.

As indicated in the National Strategic Development Plan (NSDP) for 2012/13-2016/17, it is part of the Government of Lesotho's (GoL's) strategy to encourage cross-border trade and for the country to operate as a liberal open economy. Therefore, as the country continues with liberalization of exchange controls it should also strengthen macroeconomic policies relevant for maintaining foreign exchange reserves at levels that are commensurate with maintenance of the fixed exchange rate regime. Amongst others, these include policies aimed at enhancing fiscal prudence, especially in the wake of dwindling SACU revenues and expanding the economy's foreign exchange earnings. In addition, in line with OECD (1993) the necessary measures would have to be undertaken to ensure that liberalized transactions are strictly undertaken through the banking system with the objective of combating tax evasion and money laundering. The financial institutions and the tax administrators would have to be capacitated and prudential supervision and regulation of the financial sector would have to be tightened in order to minimize excessive risk taking that could arise as the lack of controls is likely to be taken advantage of.

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6. Appendix

Table 1: Exports

Type of Transaction	Exchange Controls: South Africa	Lesotho	Namibia	Swaziland	Comments
1. Current Account					
1.1 Merchandise Exports					
Period for repatriation of export proceeds	180 days	180 days	180 days	180 days	All CMA countries are at par.
Obligation to convert export proceeds in onshore CFC accounts	No obligation	No obligation	should convert to local currency 180 days from accrual	No obligation	Lesotho, SA and Swaziland are liberalised, Namibia is the only one with a restriction.
1.2 Other Exports					
Limit for which prior CB approval is required for numismatic items	R300.00	0	0	R300.00	Lesotho and Namibia are less liberalised than SA and Swaziland.
Limit for which prior CB approval is required for personal effects of travellers	R200 000.00	R200 000.00	R50 000.00	R50 000.00	Lesotho & SA are more liberalised than Namibia and Swaziland.
Limit for which prior CB approval is required for emigrants' household and personal effects and motor vehicles	CB approval not required at all	R2 000 000.00	R1 000 000.00	R1 000 000.00	SA is fully liberalised. Lesotho is more liberalised that Namibia and Swaziland.

Table 2: Imports

Type of Transaction	Exchange Controls				
	South Africa	**Lesotho**	**Namibia**	**Swaziland**	**Comments**
1.2 Merchandise Imports					
Limit for which prior CB approval is required for imports of capital goods	ex-factory cost > R10 million	ex-factory cost > R10 million	ex-factory cost > R20 million	ex-factory cost > R10 million	Lesotho is at par with SA and Swaziland and the three are less liberalised than Namibia.
Limit for which prior CB approval is required for barter or counter trade	No limit	No limit	No limit	No limit	Barter or counter trade is not liberalised throughout the CMA.
Limit on advance payment for capital goods	50.0% of ex-factory cost for goods > R10 million and 100.0% for goods < R10 million	50.0% of ex-factory cost for goods > R10 million and 100.0% for goods < R10 million	100.0% of ex-factory cost for goods > R20 million	50.0% of ex-factory cost for goods > R10 million and 100.0% for goods < R10 million	Lesotho is at par with SA and Swaziland and the three are less liberalised than Namibia.
Limit on the use of credit cards	R50 000.00	R20 000.00	R20 000.00	R50 000.00	Lesotho is at par with Namibia and are less liberalised than SA and Swaziland.

Table 3: Gold

Type of Transaction	Exchange Controls				
	South Africa	**Lesotho**	**Namibia**	**Swaziland**	**Comments**
1.3 Gold					
Is prior approval of the CB required to export gold jewelry by manufacturers, import gold coins and export other wrought gold?	Yes	Yes	Yes	Yes	All CMA countries are at par.
Is prior approval of the CB required for residents to hold unwrought gold, acquire gold for trade purposes and import other wrought gold?	No	Yes	Yes	Yes	All CMA countries are at par except SA which is fully liberalised.

Table 4: Travel

Type of Transaction	Exchange Controls				
	South Africa	**Lesotho**	**Namibia**	**Swaziland**	**Comments**
1.4 Travel					
Limit on travel allowances	Up to a discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	Up to a discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	Up to a discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	Up to a discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	All CMA countries are at par.
Limit for which prior CB approval is required for advance payments for tours and hotel accommodation	Within the discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	Within the discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	Within the discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	Within the discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	All CMA countries are at par.
Resident travelers may export foreign bank notes within the dicretionary allowance	Yes	Yes	Yes	Yes	All CMA countries are at par.
Non-resident travelers may export foreign bank notes against proof of prior importation	Yes	Yes	Yes	Yes	All CMA countries are at par.
Returning resident travelers may import bank notes within the amount originally exported	Yes	Yes	Yes	Yes	All CMA countries are at par.
Limit for bank notes that may be exported (imported) by resident (non-resident) travelers	R25 000.00	R25 000.00	R25 000.00	R15 000.00	Lesotho is at par with Namibia and SA and are more liberalised than Swaziland.
Limit on study allowance that may be effected without prior approval of the CB	R1.0 million per unaccompanied student and R1.5 million per student accompanied by spouse	R1.0 million per unaccompanied student and R1.5 million per student accompanied by spouse	R1.0 million per unaccompanied student and R2.0 million per student accompanied by spouse	R1.0 million per unaccompanied student and R2.0 million per student accompanied by spouse	Lesotho is at par with SA and are less liberalised than Namibia and Swaziland for student accompanied by spouse.

Table 5: Services and Capital Account

Type of Transaction	Exchange Controls				
	South Africa	**Lesotho**	**Namibia**	**Swaziland**	**Comments**
1.5 Services					
Are there any controls?	No	No	No	No	Services are fully liberalised in all CMA countries.
1.6 Income					
Are there any controls?	No	No	No	No	Services are fully liberalised in all CMA countries.
2. Capital Account					
Limit for which prior CB approval is required for emigrat settling-in allowances	Amounts greater than R4.0 million per individual and R8.0 million per family unit	Amounts greater than R4.0 million per individual and R8.0 million per family unit	Amounts greater than R4.0 million per individual and R8.0 million per family unit	Amounts greater than R4.0 million per individual and R8.0 million per family unit	All CMA countries are at par.
Limit for which prior CB approval is required for residents temporarily abroad allowances	Within the discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	Within the discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	Within the discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	Within the discretionary allowance of R1.0 million per adult and R200 000.00 per child per annum.	All CMA countries are at par.
May residents issue guarantees to non-residents without prior approval from CB?	No	No	No	No	All CMA countries not liberalised

Table 6:Financial Account - Inward

Type of Transaction	Exchange Controls				
	South Africa	**Lesotho**	**Namibia**	**Swaziland**	**Comments**
3. Financial Account					
3.1 Inward					
May residents enter into foreign loan agreement without prior approval of the CB?	Yes	Yes	Yes	Yes	All CMA countries not liberalised
After how long from accrual should foreign currency be declared?	within 30 days	within 30 days	within 30 days	within 30 days	All CMA countries not liberalised
Is the sale and purchase of foreign currency between residents restricted?	Yes	Yes	Yes	Yes	All CMA countries not liberalised

Table 7: Financial Account - Outwards

Type of Transaction	Exchange Controls South Africa	Lesotho	Namibia	Swaziland	Comments
			3.2 Outward		
Allowable period for declaration of accrued foreign assets except foreign inheritances	within 30 days	within 30 days	within 30 days	within 30 days	All CMA countries are at par.
Limit on foreign bank accounts that private individuals may maintain	R10.0 million per annum	R4.0 million per annum	R4.0 million per annum	R4.0 million per annum	SA is more liberalised than the rest of the CMA.
Limit on investment by private individuals on fixed property, equity, portfolio investment, bonds and money market instruments and prior approval of CB is required	R10.0 million per annum	R4.0 million per annum	R4.0 million per annum	R4.0 million per annum	SA is more liberalised than the rest of the CMA.
Limit on loan agreements that residents, excluding commercial banks may enter into with non-residents without prior approval of the CB	R1.0 million per year.	R1.0 million per year.	R1.0 million per year.	R1.0 million per year.	All CMA countries are at par.
Limit on transfers of monetary gifts to non-residents and residents temporarily abroad for maintenance purposes that may be effected without prior approval of the CB	Within the discretionary allowance of R1.0 million per calender year.	Within the discretionary allowance of R1.0 million per calender year.	Within the discretionary allowance of R1.0 million per calender year.	Within the discretionary allowance of R1.0 million per calender year.	All CMA countries are at par.
Alimony	CB approval is not required at all but alimony should be limited within the discretionary allowance of R1.0 million per calender year.	CB approval is not required at all but alimony should be limited within the discretionary allowance of R1.0 million per calender year.	CB approval is not required but it is limited to R9 000.00 per month.	CB approval is not required but it is limited to R9 000.00 per month.	CB approval is not required in all CMA countries. Namibia and Swaziland are more liberalised than SA and Lesotho.

Table 8: Other Financial

Type of Transaction	Exchange Controls				
	South Africa	**Lesotho**	**Namibia**	**Swaziland**	**Comments**
3.3 Other Financial					
Many residents issue bonds, debt securities, shares or other securities of a participative nature in a foreign market or issue locally derivative instruments, options and futures without prior approval from the CB?	Yes provided the underlying assets are domestic in nature.	No	No	No	Lesotho is at par with Namibia and Swaziland and are less liberalised than SA.
May Banks borrow or lend locally in foreign currency without prior approval from the CB?	Yes	No	No	No	Lesotho is at par with Namibia and Swaziland and are less liberalised than SA.
Limit on foreign portfolio investments that can be held by retirement funds	within 25.0 per cent of the total retail assets	within 25.0 per cent of the total retail assets	within 35.0 per cent of their total assets	within 20.0 per cent of their total retail assets	Lesotho is at par with SA and more liberalised than Swaziland.
Limit on foreign portfolio investments that can be held by long-term insurers	Within 25.0 per cent non-linked and 35.0 per cent linked of the total retail assets.	within 25.0 per cent of the total retail assets	within 35.0 per cent of their total assets	within 20.0 per cent of their total retail assets	Lesotho is at par with SA on non-linked while SA is more liberalised on linked. The 2 are however more liberalised than Swaziland.
Limit on foreign portfolio investments that can be held by collective investment scheme management companies and investment managers	Within 35.0 per cent and an additional 5.0 per cent for Africa of the total retail assets.	Within 35.0 per cent of their total retail assets.	within 35.0 per cent of their total assets	Within 30.0 per cent of their total retail assets	Lesotho is at par with SA on foreign countries other than Africa while SA is more liberalised on African countries. The 2 are however more liberalised than Swaziland.