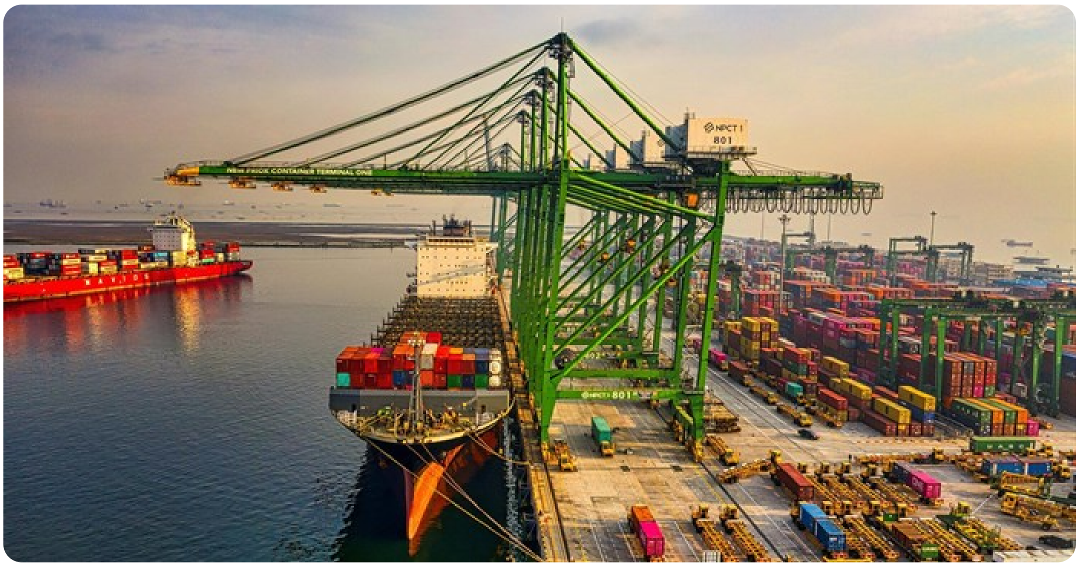
International money transfers: How SA's exchange controls affect (and protect) them

South Africa's exchange controls have long been contentious among local economic thinkers. The regulations, now around 63 years old, allow the government to regulate the flow of money i and out of the country. They are, in effect, designed to prevent the loss of foreign currency resources and excess volatility in the rand.



Source: Pexels

At the time of introduction, South Africa's exchange control regulations were designed to protect the economy from massive cash outflows in the wake of South Africa's departure from the British Commonwealth and growing opposition to the Apartheid regime.

Since then, no government has felt confident enough to scrap the regulations. That puts South Africa in th company of countries such as Cuba, Iran, North Korea, and Sudan, although larger economies such as China and India also use exchange controls.

Some have argued that these controls now do more harm than good. Removing them, they argue, would drive economic growth, make South Africa more competitive as an investment destination, and create greater policy flexibility.

You can see why they'd say so, too. Harry Scherzer, chief executive officer of international money transfer fintech Future Forex, explains that adhering to exchange-control regulations is overly complex.

Complex compliance burdens businesses

"Businesses and individuals alike must adhere to a broad swathe of regulations set out by the South Africa Reserve Bank (Sarb), covering everything from offshore investments to intellectual property (IP) transfers and even software imports," he says.

"Both also need to get specific clearances before they can move money offshore. This includes approval international transfers (AITs) for individuals who are transferring over R1m, and Sarb clearance for certain businesses."

"Staying compliant with these regulations can be complex enough for large organisations with sophisticate
compliance departments," he adds.

"It can be an even bigger headache for individuals in their personal capacity, and for smaller businesses, especially in the import-export space, who don't have that expertise on hand. These people are passionat
about their fields of business, not international payments."

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Considering the significant time individuals and organisations would need to spend to ensure compliance with exchange-control regulations on their own, he recommends against doing it themselves. Furthermore
Scherzer advises not to rely on banks to handle this correctly on their behalf.

Seek transparent transfer providers

"Unless you're a big player that brings in significant amounts of business to the bank, it's unlikely to help yo
with exchange-control compliance," he says. "They want their interactions with you to be as brief as possib
without expending what they see as undue effort."

Instead, he says both businesses and individuals should look for an international money-transfer provider that is transparent and prioritises the customer experience. This focus on customer experience should extend to assisting customers with compliance too.

"This assistance shouldn't be at an additional charge either," Future Forex's chief executive officer says. "Instead, it should be a complimentary service that helps ensure you can take a hands-off approach to international money transfers, saving individuals time and allowing businesses to focus on their growth."

"Ultimately," he concludes, "it is unlikely that we'll see major exchange-control reform in either direction anytime soon. So, whether you believe that they're a helpful, stabilising influence or a hindrance to econom
growth, the current messaging remains the same: do what's necessary to stay compliant with the current regulations.

"And when it comes to doing so, choose an international money-transfer provider that will ensure that achieving compliance is as simple and hassle-free as possible."