

# CREDO



Purpose

This document outlines the options in respect of investors who elect to externalise their funds using Asset Swap.

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## Introduction

Asset Swap is an alternative mechanism for South African (SA) residents and entities to access international investments. Asset swap is widely used by SA residents as an alternative to gain access to global markets without the limitations of either an individual's Foreign Investment Allowance, or their Single Discretionary Allowance. In addition, it is a useful tool for SA juristic investors, such as a South African trust, where the entity does not qualify for an offshore allowance.

## General

### Overview

Financial institutions have for many years provided access to their institutional capacity for South African Investors, as an alternative to the Investor utilising their personal allowance. This is commonly referred to as Asset Swap, the mechanics of which is the institution enters into an agreement with the Investor whereby the institution holds an offshore asset on behalf of the Investor.

There is no fixed term to an Asset Swap. When the Investor wants to liquidate their investment, the investment value is converted to ZAR at the applicable exchange rate and repatriated to South Africa. A key feature is an Asset Swap can be put in place without waiting for approval, which shortens the time frame of a transaction. This enables Investors to make use of favourable market conditions to secure their currency exposure.

Asset Swap is also used extensively by juristic Investors where the Investor does not qualify for an offshore allowance.

### Asset Swap Providers (ASP)

Credo work with several of South Africa's leading financial institutions to provide Investors with an Asset Swap. A new addition to our offering is the provision of an integrated Credo Asset Swap facility, utilising the institutional capacity of Anchor Capital (Anchor).

## Anchor Asset Swap

### How it works and what the Financial Intermediary can expect

The following is a broad overview of the steps:

1. Investor signs an Anchor mandate
2. Financial Intermediary (FI) provides Anchor with the signed mandate along with the Investor's due diligence documentation
3. Anchor instruct Credo to open the Investor's account
4. Credo records the FI as the Investor's adviser/portfolio manager
5. Credo confirms the account opening with Anchor and the FI
6. Investor transfers ZAR to the specified bank account
7. Anchor facilitate the FX transaction
8. Credo confirm receipt of funds



## Reporting and account management

From an ongoing perspective, the Investor's Asset Swap account will be visible to the FI on the Credo platform, MyCredo Pro, alongside all their other Credo client accounts. For execution only accounts, the FI will automatically have trading permissions and will be no different from any other execution only accounts. Similarly, the Investor can view their portfolio via the Investor Portal, MyCredo Invest.

## Account maintenance

All ongoing instructions, for example if the Investor needs to make a cash withdrawal, will be channelled via Credo.

## Fees

Anchor charge an ongoing fee of 0.25% per annum for the utilisation of their asset swap. The standard Credo fees apply. All fees are charged quarterly.

## Investment Solutions

### Credo's Investment Solutions

The FI can elect to either invest in a Credo Investment Solution, which include equity, multi-asset or fixed income solutions. Alternatively, the FI can utilise the Credo platform to construct a portfolio for their Investor. The Credo platform supports open architecture investing across an extensive range of instruments, asset classes and currencies.

## Existing Asset Swap accounts

### Changing Asset Swap Providers

The change from one ASP to another is referred to as a "back-to-back". It involves the existing ASP agreeing to the transfer of the assets to another ASP. The receiving ASP will subsequently register the assets as part of their institutional capacity. A back-to-back requires the approval of both ASPs, and therefore it is important that clients engage with the ceding ASP on their intentions. If the assets are currently with Credo, Credo will accept an instruction from the ceding ASP and facilitate the transfer of the existing assets.

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