NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 589 [NW647E]
DATE OF PUBLICATION: 17 MARCH 2017

589. Mr D J Maynier (DA) to ask the Minister of Finance:

Whether he has found that any persons, families and/or associates of persons and/or families were trying, through the purchase of shares, to exert undue influence on the SA Reserve Bank (SARB); if not, (a) what is the position in this regard and (b) why did the Governor of the SA Reserve Bank claim that this was the case on 2 March 2017; if so, what are the names of each (i) person, (ii) family member and/or (iii) associate of the specified persons and/or families who were trying to exert undue influence on the SARB?

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REPLY:

No. Currently the provisions of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989 – "SARB Act"), as amended by the South African Reserve Bank Amendment Act , 2010 (Act No. 4 of 2010 – "SARB Amendment Act), effectively rule out the possibility of anyone, through the accumulation of shares, exerting undue influence on the South African Reserve Bank ("SARB").

The Board of the SARB ("Board") is a supervisory board and is strictly responsible for the corporate governance of the institution and not its day-to-day management. The Governors are vested with original powers of management and are responsible for the day-to-day management of the SARB, which includes monetary policy, bank supervision, financial stability and the payment system.

Previously, in the period before the SARB Act was amended in 2010 there was an absence of adequate preventative measures, private shareholding in a central bank could potentially create the risk of untoward actions by shareholders taken in pursuit of personal objectives rather than the public interest. Although a single shareholder in the SARB was in terms of the SARB Act restricted to holding not more than 10,000 shares and to no more than 50 votes at a meeting of shareholders, the SARB at times in the past (i.e. before 2010) experienced deliberate attempts at circumventing these limitations. Individual persons by utilising the names of minors, relatives, friends or other persons under their influence accumulated unduly large numbers of SARB shares under their control. This resulted in undue concentrations of SARB shares under the ultimate control of single persons, who could potentially utilise the commensurate number of

votes under their control to exercise undue influence on the SARB for personal purposes and their own personal gain.

The SARB Amendment Act, which introduced substantial amendments to the legal structure and operations of the SARB, amongst other things, adequately addressed the previous anomaly. Major amendments constituted the introduction of the concept of "associates" in respect of shareholders or potential shareholders of the SARB and the establishment of a panel (established and convened by the Governor) to give effect to fit and proper principles with regard to non-executive directors elected by shareholders. It resulted in the existing numbers of SARB shares held by all persons who qualify as associates of a specific shareholder or potential shareholder being taken into account in the determination of the number of shares (limited to 10,000 shares) that the specific shareholder may lawfully hold or acquire. Shareholders were also hereafter only entitled to elect non-executive directors to the Board that had been declared eligible by the panel. The Board consists of fifteen directors (eleven non-executive and four executive directors) of which the President appoints eight, which includes the Governors. The shareholders elect the remaining seven.

Consequently, shareholders of the SARB have limited powers, which in addition to the above (at a general meeting of shareholders), are limited to discussing the annual report and financial statements of the SARB, appointing of the auditors and approving their remuneration and discussing special business duly placed on the agenda of the meeting.