



**SA Reserve Bank**

**JOINT PRESS STATEMENT ISSUED BY THE SOUTH AFRICAN RESERVE BANK AND THE NATIONAL TREASURY.**

20 October 2003

**STRATEGY FOR DEALING WITH THE OUTSTANDING BALANCE ON THE GOLD AND FOREIGN EXCHANGE CONTINGENCY RESERVE ACCOUNT (“GFECRA”)**

The National Treasury and the South African Reserve Bank have agreed on a strategy for dealing with the outstanding balance on the GFECRA.

Having managed to further reduce external vulnerability by bringing down the Net Open Foreign Currency Position (“NOFP”) to a positive balance in May 2003, the authorities are now looking to address the outstanding balance on the GFECRA. This balance was mainly built up in recent years, in the conduct of monetary policy as part of dealing with losses on the oversold forward book of the South African Reserve Bank.

The National Treasury and the South African Reserve Bank have agreed that from time to time the South African Reserve Bank will be able to restructure its holdings of interest bearing Government bonds, held in its monetary policy portfolio, by way of switching some of these bonds for other Government bonds and/or through the outright sale of certain bonds. Any potential outright sale of Government bonds by the South African Reserve Bank will take due cognisance of any potential impact such outright sales may have on the market.

Any transactions to be conducted in this regard will be effected with the assistance of primary dealers in Government bonds.

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