

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 3190 [NW3748E]
DATE OF PUBLICATION: 15 NOVEMBER 2013

3190. Mr D C Ross (DA) to ask the Minister of Finance:

With regard to the interventions of the SA Reserve Bank into a certain project (details furnished), (a) what was the rationale for the intervention, (b) on what information was it based and (c) what (i) is the current situation with regard to the funds of investors and (ii) steps will be taken by the National Treasury to ensure that investors receive compensation?

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REPLY:

The South African Reserve Bank has provided the following response:

- a. The rationale for the intervention was that the Bank Supervision Department of the South African Reserve Bank (“BSD”) received enquiries about the funding model employed by Sharemax. This resulted in the Registrar of Banks investigating whether Sharemax was taking money from members of the general public in contravention of the Banks Act.
- b. The information was based on a detailed memorandum submitted to the BSD by a registered bank, which is regarded by the BSD to be confidential.
- c.
 - i) Except for the two property syndication companies where the construction of the shopping malls are as yet incomplete, the investors’ funds are utilised by the various property syndication companies as capital investments – as was agreed to by the investors in terms of the section 311 schemes of arrangements, which was also sanctioned by the High Court. This implies that the investments are subject to the volatility of the economy, the quality of the asset and the performance of the property syndication companies. The investors in the above-mentioned two property syndication companies are, however, in a precarious position and stand to lose their investments if the shopping malls are not developed.
 - ii) It should be borne in mind that the above-mentioned property syndication companies are neither registered nor supervised by the BSD and have by all indications contravened the provisions of the Banks Act. Neither was the property syndication company registered by the Financial Services Board (FSB). As such neither the SARB or FSB nor the fiscus is empowered to compensate the losses suffered by investors. Whilst government strives to protect investors, an investor must take responsibility for investment decisions made when investing in any company, but more so when the company is not regulated nor registered with the SARB or FSB. The SARB has embarked on a number of awareness media campaigns warning members of the public against the dangers of investing in unregistered

and unsupervised schemes. The SARB has also reported the matter to the South African Police Service who is investigating possible criminal action against the directors of Sharemax. The Financial Advisors and Intermediaries Services Ombud has, furthermore, taken action against some of the brokers and investment advisors in this regard.