

FISH HOEK VALLEY RATEPAYERS & RESIDENTS ASSOCIATION

(Incorporating Fish Hoek, Clovelly and Sun Valley)

~~Central Circle, Fish Hoek 7975~~

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Heritage Western Cape: Conservation Body

TO: PARLIAMENTARY STANDING COMMITTEE ON FINANCE

CC: TEBHOHO SEPANYA – tsepanya@parliament.gov.za

CC: ALLAN WICOMB – awicomb@parliament.gov.za

**SUBJECT: COMMENTS ON THE DRAFT SOUTH AFRICAN RESERVE BANK
AMENDMENT BILL [B26 - 2018]**

DUE DATE: 16 NOVEMBER 2020

Thank you for this opportunity to comment.

On the principle of willing buyer and willing seller, the buyers of the South African Reserve Bank shares probably had the intention of keeping the bank private for good governance reasons. They should be compensated for their soon to be expropriated shares in terms of our Constitution's section 25. (1) and (2) (b). Otherwise, this is just theft from the current 650 shareholders, which sets a dangerous precedent. We're not talking about a derelict property that the owner doesn't want to refurbish. This is a functioning bank that has intrinsic value. Faced with no option to retain the shares, the current shareholders would most likely be willing sellers. Therefore, it is not true that this bill has no financial implications for the State. However, the amount is minimal in that the original par value was R1. It is more the principle of stealing that is of concern.

The expropriation of these shares fails the test of our Constitution's section 25 (2) (a) as it is not in the public purpose or public interest that the state holds all of the Reserve Bank's shares. If the intention was to target economic growth, changing the ownership (nationalising the Reserve Bank) will not help as this is the purpose of monetary policy.

Based upon sections 25 and 36, this bill is likely to be challenged in the Constitutional Court making this bill null and void as intimated by Adv Zuraya Adhikarie, Chief Parliamentary Legal Adviser on 15 August 2018, Ref P6 / 2018.

Reserve (Central) Banks must be independent of political manipulation or influence. Thus, we reject the amendment of section 1 (a), 4, 5, 6, 9 and 36 of the South African Reserve Bank Act #90 of 1989 of the Minister appointing members to the Board. The Act currently stipulates that the President of South Africa appoints the majority of the board members including the governor and deputy governors. Giving the finance minister the power to appoint some board members would create two classes of board members, which is nonsensical and potentially creates a dysfunctional conflict of interests.

We strongly object to amending section 21 (1) of Act 90 of 1989 "The State is the sole holder of shares in the Bank" and (2) "The rights attached to the shares in the Bank must be exercised by the Minister on behalf of the State". Besides putting too much power into

one Minister's hands, it is also against the will of the people. The purpose appears to be placing the control of monetary policy in the hands of politicians as has been done in failed states such as Zimbabwe and Venezuela to make South Africa also an economic basket case. Central banks need to be free to implement monetary policy without political interference.¹ The role of our Reserve Bank should be to keep inflation under control by sticking to an inflation target according to its Constitutional mandate. Nothing erodes buying power like an inflated currency and this is foremost in most pensioners' minds. Economic growth should not be the Reserve Bank's intention. Changing the ownership (nationalising the Reserve Bank) will not change monetary policy. However, having non-inflated currency provides more buying power with the rands that are available in order to implement monetary policy.

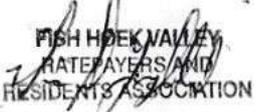
What do Ministers know about auditors? Section 30 should state that the Board appoints two "rotating" auditor firms.

Summary

Changing this Act will not provide the intended consequences of economic growth, which is the purpose of monetary policy. The purpose of the Reserve Bank is to target inflation so that monetary policy can be implemented with the full value of funds available.

In conclusion, we request the following:

- Leaving the Act as is and thus, not expropriate the Reserve Bank shares for the state and not allowing the Minister to appoint members of the Board or its auditors;
- Failing the above and expropriation of the Reserve Bank shares is contemplated, please provide adequate compensation to the current shareholders.

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| DATE | 14 November 2020 |

¹ <https://www.wits.ac.za/news/latest-news/in-their-own-words/2018/2018-08/what-changing-the-ownership-of-south-africas-central-bank-will-and-wont-do.html>