



Parliamentary Submission on the South African Reserve Bank Amendment Bill [B26 – 2018]

By

The ANCYL Crisis Committee

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1. Background:

The South African Reserve Bank (SARB) was established in 1922 following the need to create countrywide single medium of exchange. Since its inception, the SARB has always had private equity holders (www.reservebank.gov.za). Along with Japan, Switzerland and other five Central Banks globally, the SARB is amongst only eight Central Banks with partial private ownership. Whilst no real reason is given for private ownership of the bank, it is our suspicion that the goldmining companies that converged at the Gold Conference a year earlier, had more to do with the protection of their interests.

As indicated above, private shareholding in Central Banks is undesired by nations of the world, thus only a handful continue with this practice.

It is in this context that the African National Congress (ANC) 54th National Conference held in December 2017 at the Nasrec Expo Centre in Johannesburg, resolved that the SARB must be nationalised and all private shareholding be transferred to the state as the custodian of interests of citizens of the country.

This submission is intended to provide reasons for the full ownership of the Bank by Government on behalf of the people of South Africa.

2. The SARB and National Interest:

Chief amongst its roles, the SARB is the sole printer of banknotes, it hosts the registrar of banks as well as protecting our currency. The monetary policy of the country is the exclusive preserve of the Monetary Policy Committee of the Bank.

In other words, the Reserve Bank should act as a buffer that protects our economy from undesirable economic turmoil and shock. It is to the economy of the country what the South African Defence Force is to its people. If the Reserve Bank fails, the country fails.

Primarily, the Reserve Bank regulates the cost of consumption or saving interest rate adjustments. The bank also regulates the banking sector and movement of money into and out of the country. These duties have a huge impact on the welfare and livelihood of our people.

3. Private Shareholding:

The ANCYL Crisis Committee, comprised of a group of members of the African National Congress Youth League who have collectively agreed on this description, is of the firm view that private shareholding in the Reserve bank is a strategic threat to the development of our economy. It allows for private citizens to know Reserve Bank decisions ahead through their representatives on the Board, thus giving them the prejudicial opportunity to keep or move their assets and make investment decisions.

Secondly, the number of directors elected by shareholders is equal to state appointment making the voice of private shareholders weighty as compared to the State. Shareholders are also making generational wealth through the Reserve Bank. It is worth noting that by 1989, the share price of the Reserve Bank was merely R1. Whilst voodoo economists suggest that there is no real financial value in owning the shares since the share pay at least 10cent per share flat rate a year, it is worth noting that the share price is increasing. The shares may be traded at the time of need at very high price. It is our view that the Reserve Bank cannot be an instrument for family wealth creation.

With some shareholders not being citizens of our country, it means that our sovereignty is being compromised despite those not being able to stand for election onto the Board, they nonetheless still elect Board representatives.

The assertion by some within our country that shareholders have little voice in the policy direction of the Bank is ultimately false. The Bank is controlled by the Board of which half represent collective business interest and shareholders.

4. It is the view of the ANCYL Crisis Committee that the Reserve Bank must be nationalised and that the Bill as tabled be considered as follows:

• **Section 1:**

- Definitions of the following must be deleted from the Primary Act as proposed:
 - o Associate
 - o Close relative
 - o Elected director
 - o Shareholder
- The words must be deleted from the Act since there shall be no private shareholder in the Reserve Bank.

• **Section 4:**

- In line with international practice, we propose that only seven Board members govern affairs of the Reserve Bank and complete deletion of sub-section 3 from the Act.
- **Thus Section 4 (1) must read as follows-**

The Bank shall be managed by seven directors consisting of (a) Governor, three deputy governors and three other directors appointed by President of the Republic after consultation with the Minister of Finance.

b) Such person(s) shall be nominated by the members of the public, public interest organisation, etc.

c) The Minister must gazette the nomination procedures and protocols within a month of the adoption of this Act by Parliament.

• **Section 5:**

- Complete deletion from the Act of Section 5 (1A and 1B) are proposed for deletion as they serve no purpose in line with proposed Amendments.
- Section 5(2) is proposed to be revised to exclude and /or elected since no director will be elected.

- **Section 6:**
 - The deletion of Section 6(b) is hereby proposed given that it will be of no use in the new dispensation.
- **Section 21:**
 - Is hereby proposed for complete deletion from the Act.
- **Section 23:**
 - The section is proposed for complete deletion.
- **Section 30**
 - Section 30(1) is proposed for deletion and be replaced with the following:
 - The Minister of finance will advertise and appoint audit firms to audit the accounts of the South African Reserve Bank.

5. Conclusion:

With the above proposal, the ANCYL Crisis Committee is proposing to the esteemed House of Parliament, as representatives of our people, that you pass this Amendment Bill that puts the Reserve Bank in the hands of the people of South Africa as a whole.

Those who might be worried about the independence of the Reserve Bank must look around the world, whether in our neighbouring Botswana, or China and the USA, the Central Banks of all these countries remain independent.

Those amongst us who are concerned about financial implications must note that the share might accumulate even more value. Lastly, no value is greater than the sovereignty of our country.

Yours in Youth Struggles,

The ANCYL Crisis Committee