**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **1685 [NW2010E]**

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**1685. Mr N F Shivambu (EFF) to ask the Minister of Finance:**

(a) Which financial institutions borrowed government (i) long-term loans and (ii) short-term loans and (b) what are the relevant details of the (i)(aa) market participants and (bb) their clients, (ii) interest rate, (iii) term of the loan and the (iv) total amount borrowed? NW2010E

**REPLY**

Treasury Bills (T-bills) are held by every commercial bank in the country that holds a banking license since they form part of the High-Quality Liquid Assets (HQLA) which are required by the Prudential Authority. These assets allow banks to meet their short-term liquidity requirements and can be used as collateral for central bank operations, as well as benchmarking for pricing financial assets. The same banks may hold both T-bills and bonds on behalf of clients in their stockbroking or wealth management units. For the latter reason, it would be impossible for the National Treasury (NT) to determine what rate investors bought the bonds at and who the clients are.

Long term loans are bought by the 9 primary dealers in the primary market on behalf of insurers, asset managers, hedge funds and others on a weekly basis. These bonds are then traded in the secondary market where they are bought and sold by different entities. The 9 primary dealers are:

1. ABSA
2. HSBC
3. NEDBANK
4. CITIBANK
5. STANDARD BANK
6. INVESTEC BANK
7. DEUTSCHE BANK
8. RMB
9. JP MORGAN

To qualify as a primary dealer, applying banks are required to comply with capital adequacy requirements as well as additional NT requirements. These banks would buy these bonds at different rates on a weekly basis and distribute these bonds in the secondary markets both on exchange and over the counter which also impacts the rates at which the bonds trade. The interest rates and amounts at which the bonds are auctioned in the primary market are available on the NT website on a weekly basis. The amount that each bank buys in the auction are not public information since this information is sensitive for the ongoing auction process. There are no terms associated with each bond purchase except the obligation to pay the interest rate and principal when it is due on NT’s part.

The ultimate holders of the bonds can categorized as follows:

1. Monetary Institutions
   1. Banks
   2. SARB
2. Insurers
   1. Long Term Insurers
   2. Short Term Insurers
3. Pension Funds
   1. PIC
   2. Private self-administered pension funds
   3. Official Pension Funds
4. Other Financial Institutions
   1. Unit Trusts
   2. Participation Mortgage bond schemes
   3. Financial Public enterprises

The details of the ultimate holders are not recorded by NT. It is in the secondary market where these bonds bought and sold by various institutions. The JSE, STRATE and the institutions themselves would be best placed to provide details in terms of the quantity of bonds they hold. Market data systems like Bloomberg and Reuters would also provide details for the reported market.

It is worth remembering is that these institutions would themselves be holding these bonds on behalf of individual investors or policy holders who cannot be legally disclosed as per FICA and POPIA act. The holdings change regularly owing to the needs of each category of holder. It is therefore impractical for NT to quantify how much each institutional holder owns at a point in time or what interest rate they are receiving.

Retail bonds are held by individual investors whose names cannot be disclosed. Retail bond interest rates are available on the retail bonds website along with the terms and conditions of each retail bond.

The National Treasury publishes monthly detailed information on outstanding bonds, redemption dates, redemption amounts, and coupon rates, which can be found on the National Treasury's investor website.

Table 7.5 of the 2022 Budget Review reflects the international financing institution borrowings. The table provides information on the institution, disbursement date, interest rate, terms (years), grace period (years), and amount (billion). From the table, the borrowing has only been long-term in nature, with no short-term loans being entered into.