

## Reserve Bank Bill sees little threat from nationalisation

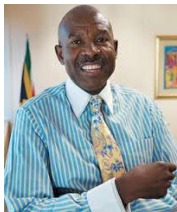
In what could well be the result of political posturing before an election, the EFF has taken the initiative to table a private members bill, the South African Reserve Bank Amendment Bill, aimed at “nationalising” the SA Reserve Bank (SARB). Whether this is just political posturing is still not clear.



The MP, or private member, involved is Julius Malema, which means that as a parliamentary Bill, public hearings will be called for by the Portfolio Committee concerned - in this case by Yunus Carrim of the Standing Committee on Finance (SCOF).

### Have your say

Since the Bill is not published by a Minister, there will be no usual government departmental briefings first or comment called for by a minister in the government gazette. Parliamentary rules demand that with a private member’s Bill, only the permission from the Speaker of the House be obtained and such is practised to avoid frivolous or time-wasting exercises. Parliament is an expensive place to run.



The NEDLAC process of approval has still to be obtained.

Quite obviously then, this is a serious proposal. Reserve Bank Governor Kganyago earlier told SCOF, when briefing parliamentarians on the central bank’s annual report in answer to MPs questions on the subject, “that he had noted that a resolution to nationalise the bank was also a proposal adopted at the ANC’s recent conference.” This has raised the ire of opposition parties.

### Odd timing

Although this was perhaps an innocent remark, since any governing party has the right to define its policies on such issues, it is not such a good idea to thus comment when Parliament is in the middle state capture inquiries but nevertheless the point was made. This fact, added with many other radical policy changes, added to the disquiet of a number of MPs regarding SA as an investment possibility.

SARB is operationally independent of its board and it appears that the EFF could just be mischievous by getting in first knowing that this is agreed ANC policy. For Julius Malema, grandstanding to the voter is nothing new and Parliament has mostly been the stage.



All the same, a quick reading of the background to the Bill rather than its innocuous preamble, the Bill points out that there are some 650 shareholders in SARB, “some of whom are foreign nationals”. This is an unusual comment in a piece of legislation.

### No premature comment

Governor Kganyago told has MPs via the media that such resolutions had to be to be “translated into government policy” before the Bank could comment. He added that in any case “any legislation that interfered with the Bank’s mandate to protect the Rand, could not possibly be implemented by Parliament in terms of the Constitution nor gain passage through Parliament.”



South African Reserve Bank

Governor Kganyago said if called to hearings instituted as a result of the EFF Bill, he could only repeat this mandate and would have nothing to say on the issue until Parliament asked him to act accordingly and as instructed. He said he had “heard no suggestion that the Banks mandate would be interfered with and hoped not to hear such nonsense”.

### Financial appointments

**Apart from proposing** that ownership be transferred to the State, the Bill also proposes that the finance minister appoints certain members of the board of directors as opposed to the current Act where this power to do this rests with shareholders.

### Surprising

**Financial commentators** have noted that South Africa’s Reserve Bank is one of only six central banks in the world which still has private shareholders. In the case of SA, shareholders receive a dividend of 10c per share each year. That have no influence on policy decisions of the SARB but can elect seven non-executive members to the board, appoint auditors and determine their remuneration.



In talking to the media during parliamentary recess, Governor Kganyago said that SARB had noted that the proposed Amendment Bill does not in any way alter its primary mandate of maintaining price stability. He added to Fin 24 that he could not see how the proposed Bill could be in any way a challenge to the Bank’s independence.

### Street fighting

**All this leads back** to the motivation for the Bill. Whilst the ideologies behind the move are understood and given that the perceived necessity for such changes might give the market a sense of concern, it does indeed seem that the EFF have tabled such a Bill as a form of “one-upmanship” to gain political positioning.

With an election coming, a date is usually announced at what date no more new Bills can be tabled in Parliament. Some commentators feel that the EFF have just tried to muscle in before such a cut-off date comes into place.

### Perhaps innocuous

**One would hope** that wise comment will not only come from SARB at the hearings but the Banking Association of SA will make some clear statements on the issue before. What is unusual that before any Bill is tabled, there is usually an explanatory statement issued providing the motivation and necessity for the legislation in question. This is totally absent.