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SOUTH AFRICAN RESERVE BANK

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Record of proceedings of the South African Foreign Exchange Committee meeting held on Wednesday, 2 November 2023 at 10:00 – 12:00, Standard Bank, Rosebank

Record of proceedings no. 04/2023

Members in attendance	Apologies
Zafar Parker (Chairperson), SARB Richard de Roos (Deputy Chairperson), Standard Bank Lucy Mabuza (Secretariat of the SAFXC), SARB Chris Tsotsa (Secretariat of the SAFXC), SARB Lesego Malehopo, SARB Chris Paizis (Authorised Dealer), Absa Bank Gerald Katsenga, ACI South Africa Atli Khaas, ACTSA Gary Haylett, BASA Marius de Jongh (Observer), FSCA Paul Wilson (Interdealer Broker), ICAP Brice Parise (Authorised Dealer), JP Morgan Elaine Mabiletsa (Exchange), JSE Limited Carlos Martins, SAATA	Andries Tshishonga, SARB Bafundi Maronoti, SARB Gill Raine, ASISA Steven Panos (Authorised Dealer), Capitec Bank
Invitees: Yolán Perumal (Authorised Dealer), Capitec Bank Mark Schwartz, ACTSA Johan Coetzee, SAATA Jackie Brevis, SARB	

1. Overview

The South African Foreign Exchange Committee (SAFXC) discussed the:

- 1.1 presentation on the banking sector readiness for an orderly closure and reopening of markets during a crisis event; and
- 1.2 feedback from SAFXC members.

2. Summary of discussions

- 2.1 An official of the South African Reserve Bank (SARB) presented on the banking sector readiness for an orderly closure and reopening of markets during a crisis event. The highlights were as follows:
 - 2.1.1 The Orderly Closure and Reopening of Markets (OCRM), an initiative between the SARB and the banking sector, was established to formulate guidelines for an orderly closure and reopening of the market during exceptional (crisis) events such as an Eskom grid failure or cyberattack.
 - 2.1.2 A national electricity grid failure was expected to result in the closure of South African markets for an estimated period of two weeks. Following the announcement of a national grid failure, market participants would have a four-hour window period to execute and conclude the day's operations and ensure an orderly closure of the markets.
 - 2.1.3 Using a worst-case scenario of the national grid failure, it was estimated that after four hours following the announcement of the national blackout, it would be extremely difficult for market participants to communicate effectively. As a result, an orderly closure of the market may not be possible. The OCRM mentioned that trading would be immediately halted, and transactions processed and finalise within four hours, following the announcement of a national grid failure.
 - 2.1.4 The OCRM action plan for an orderly closure of the domestic markets entailed the following:
 - i. The Financial Sector Contingency Forum (FSCF) would brief the SARB Governor, whom along with the Minister of Finance, would make the decision

on the closure of the markets. The SARB would issue and publish an official statement on its website, confirming a shutdown of the markets to all relevant stakeholders.

- ii. Communication would also be sent to regulatory and industry stakeholders such as National Treasury, Share Transactions Totally Electronic (Strate), BankServ, the South African Revenue Service (SARS), and other key financial institutions.

2.1.5 The South African Multiple Option Settlement (SAMOS) system would adjust its window following the notice for an orderly closure of the markets by reverse engineering its windows, ensuring that it would be closed after four hours.

2.1.6 The National Payment System Department (NPSD) of the SARB was engaging the Common Monetary Area (CMA) and Southern African Development Community (SADC), including all the relevant oversight communication structures on the OCRM scenarios.

2.1.7 The subsequent reopening of the markets and commencement of trading would only take place after all pending trades were reconciled between Strate and the JSE Limited (JSE).

2.1.8 It was acknowledged that markets may become dysfunctional at the reopening. The SARB, at its discretion, would consider implementing measures to calm domestic markets (money market, local currency bond market and the foreign exchange (FX) market).

2.2 Feedback from SAFXC members

2.2.1 The Central Bank of Kenya (CBK) had adopted the FX Global Code (Code).

2.2.2 A concern was raised that the expectations for Global Foreign Exchange Committee (GFXC) members to re-sign the statement of commitment to the Code, could result in some slippages. It was shared that the GFXC could include the flexibility for its members to sign the statement of commitment once, but review and align their FX business operations with the new changes in the Code.

2.2.3 A presentation on the increase of prudential foreign investment limits for South African institutional investors and the subsequent market impacts was postponed to 7 March 2024.

3. Date of the next meeting

3.1 The next SAFXC meeting was scheduled for Thursday, 7 March 2024.

Abbreviations

ACTSA	Association of Corporate Treasurers of Southern Africa
ASISA	Association for Savings and Investment South Africa
BASA	Banking Association South Africa
CBK	Central Bank of Kenya
CMA	Common Monetary Area
FSCA	Financial Sector Conduct Authority
FSCF	Financial Sector Contingency Forum
FX	Foreign exchange
GFXC	Global Foreign Exchange Committee
JSE	JSE Limited
NPSD	National Payment System Department
OCRM	Orderly Closure and Reopening of Markets
SAATA	South African Association of Treasury Advisors
SADC	Southern African Development Community
SAFXC	South African Foreign Exchange Committee
SAMOS	South African Multiple Option Settlement [system]
SARB	South African Reserve Bank
SARS	South African Revenue Service
Strate	Share Transactions Totally Electronic