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7 April 2017

Dear Adv B Mkhwebane

**THE SOUTH AFRICAN RESERVE BANK'S RESPONSE TO THE PUBLIC PROTECTOR'S PRELIMINARY REPORT 12 OF 2016/2017**

- 1 We refer to our client, the South African Reserve Bank's ("SARB") response, of 28 February 2017, to your preliminary report in relation to the CIEX Report and the recovery of funds from ABSA Bank.
- 2 Your preliminary report proposed remedial action that would require the SARB to "ensure systems, regulations and policies are put in place within 90 days to prevent this anomaly in providing loans/lifeboat to banks in future".
- 3 Our client's response made it clear that this type of remedial action would be unlawful because central bank assistance to failing institutions is not an anomaly; it is a core function of their stabilising role in society. The remedial action would therefore be in conflict with the SARB's constitutional obligation to protect the currency and the SARB's role in maintaining financial stability in the country.
- 4 Because of the grave implications of the proposed remedial action for our client's functioning, it requested to be given advance warning if you intended to finalise your preliminary report to include this remedial action. In the circumstances, our client reiterates its request for an undertaking that should you decide to retain the remedial action, of the sort proposed in the preliminary report and referred to above, in your final report, you will provide the SARB with at least five business days notice of your intention to do so. This would then also be in line with the undertaking previously provided by your Office, that the SARB would be provided with the

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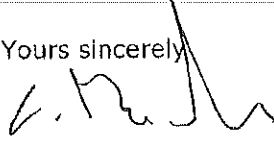
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final report five working days prior to it being released to the public. In this regard we draw your attention to that set forth in our client's letters to the Public Protector of 15 August 2016 and 6 September 2016.

5 Our client requests the aforementioned undertaking by 18 April 2017.

Yours sincerely



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