

Notes to tables

Restructuring of Public Debt Commissioners, establishment of Corporation for Public Deposits and dissolution of National Finance Corporation

Legislation that was recently passed by Parliament* provided, with effect from 31 March 1984, for the restructuring of the Public Debt Commissioners, the dissolution of the National Finance Corporation of South Africa and the establishment of the Corporation for Public Deposits. This legislation resulted in important changes in South Africa's financial structure and affected the compilation and comparability of certain series published in the statistical tables of the *Quarterly Bulletin*. These notes are intended to provide a broad outline of the legislation concerned, to indicate the influence of the change in the financial structure on particular statistical series and to present selected statistics of the newly established Corporation for Public Deposits.

Outline of new legislation

The function of Public Debt Commissioners was established in 1911. The Commissioners were entrusted with the custody and investment of certain funds, mostly trust and pension funds of the public sector. Their functions were extended over the years to include the management of the Local Loans Fund and the General Sinking Fund. Funds deposited with the Commissioners were invested in approved securities and were in practice classified in two categories, the so-called "earmarked" funds on the one hand and the so-called "pooled" funds on the other. Earmarked funds were invested on behalf of individual depositors and the return on each investment was credited to the depositor concerned. Pooled funds were invested collectively and depositors were paid a predetermined rate of interest, related to the rate for tender Treasury bills, on their deposits. Pooled funds were largely of a short-term nature, being withdrawable on demand, and displayed large fluctuations from month to month and year to year. The volatility of these funds, the problem of maintaining an appropriate term structure for the corresponding investments, and the effect of large changes in interest rates initiated the appointment by the Minister of Finance in 1982 of a Committee of Inquiry into the Investments of the Public Debt Commissioners. The recommendations of the Committee were embodied in the two Acts of Parliament, referred to in the footnote.

The *Public Investment Commissioners Act, 1984* provided for the rationalisation of the functions of the Public Debt Commissioners. Firstly, their pooled funds were transferred on 31 March 1984 to a new organisation, the Corporation for Public Deposits.

Secondly, all the remaining assets and liabilities were transferred to a newly established body, the Public Investment Commissioners, which comprised the three Commissioners who had formerly acted as the Public Debt Commissioners. Thirdly, an executive committee was formed to conduct the operations of the Commissioners. Other minor changes were also embodied in the Act, including changes in the Commissioners' field of investment and the abolition of the Reserve Fund and the General Sinking Fund. The abolition of the General Sinking Fund resulted, *inter alia*, in the cancellation of a large amount of government stock. Essentially, therefore, the new Public Investment Commissioners are entrusted with the function of acting as investment intermediary for long-term public funds. They will in future only invest funds on behalf of depositors in approved securities and will also be able to invest funds temporarily in non-marketable Treasury bills and with the Corporation for Public Deposits.

The *Corporation for Public Deposits Act, 1984* provided for the establishment of the Corporation for Public Deposits as a wholly owned subsidiary of the South African Reserve Bank. Call funds available for investment in the public sector will be invested with the Corporation and, as mentioned above, all pooled funds held at the end of March by the Public Debt Commissioners, mostly call deposits with the Commissioners, were transferred to the Corporation on 31 March 1984. The Act permits the Corporation to invest public deposits, as well as other deposits approved by the Minister of Finance, in a wide range of, mostly, short-term securities. These include special Treasury bills that are made available by the Treasury to the Corporation and are repayable on demand.

In addition to the pooled funds of the Public Debt Commissioners, public sector and approved other deposits held with the former National Finance Corporation as well as certain of its investments were transferred to the Corporation for Public Deposits on 31 March 1984. On that date the balance sheet of the Corporation for Public Deposits contained the following:

Liabilities and Assets of the Corporation for Public Deposits as at 31 March 1984.

R millions			
<u>Liabilities</u>		<u>Assets</u>	
Capital	2	Investments	
Call deposits	2 090	Government securities	1 719
		Other investments	372
		Other assets ..	1
Total	<u>2 092</u>	Total	<u>2 092</u>

**Public Investment Commissioners Act, 1984* (Act No. 45 of 1984) and the *Corporation for Public Deposits Act, 1984* (Act No. 46 of 1984).

Tables containing the liabilities and assets of the Corporation will be published in future issues of the *Quarterly Bulletin*.

The *Corporation for Public Deposits Act*, 1984 also provided for the liquidation of the National Finance Corporation of South Africa. It marked the end of an era in the development of the South African money market. The National Finance Corporation was established in 1949 to mobilise temporary idle funds of South African enterprises for investment in short-term South African securities and had as its principal aim the development and promotion of a local money market. The National Finance Corporation (NFC) succeeded in achieving these objectives. As was mentioned by the Deputy Minister of Finance when introducing the legislation, "its dissolution is being proposed not because it has failed, but because it has successfully completed its allotted task".

Implications for statistical series

The transfer of the pooled funds held by the Public Debt Commissioners to the newly established Corporation for Public Deposits, the Corporation's close relationship with the Reserve Bank, and the possibility of applying the Corporation's funds in furthering the efficiency of the Reserve Bank's monetary management, have led to the decision to include the Corporation for Public Deposits in the monetary banking sector. This step, as well as the institutional changes referred to above, have major implications for a number of statistical tables and data series published in this *Quarterly Bulletin*, as will be indicated below.

National Finance Corporation of South Africa

Because of the dissolution on 31 March 1984 of the National Finance Corporation, the statistical tables containing the liabilities and assets of the Corporation (Tables S-4 and S-5 in previous issues of the *Quarterly Bulletin*) have been discontinued.

Monetary banking sector: Liabilities and assets (Tables S-24 to S-27)

Money and near-money (Tables S-28 and S-29)

Causes of changes in money and near-money (Table S-30)

The comparability of a number of statistical series in the abovementioned tables has been influenced as from March 1984 by the inclusion of the Corporation for Public Deposits in the monetary banking sector and the dissolution of the National Finance Corporation.

Money market and related interest rates (Table S-31)

Because of the dissolution of the National Finance Corporation, the statistical series on the Corporation's call rate, which was published in this table in previous

issues of the *Bulletin*, has been discontinued. A new series on the interbank call rate of the major commercial banks has been substituted.

Exchequer Account (Table S-54—S-55)

The inclusion of the Corporation for Public Deposits in the monetary banking sector as from 31 March 1984 and concomitant changes have resulted in a substantial technical shift on that date in the sources of finance used by the Treasury, namely from the Public Debt Commissioners to the monetary banking sector. Two basic series have been affected, namely series 4045, change in the Exchequer's net indebtedness to the Public Investment Commissioners/Public Debt Commissioners, and, as a contra adjustment, series 4047, change in the monetary banking sector's holdings of government securities. Since the above-mentioned institutional changes occurred on the last day of March, which coincided with the end of the Government's fiscal year, the investments of the Corporation for Public Deposits were included with those of the Public Investment Commissioners at the end of March in view of calculating for review purposes changes in the statistical series concerned during the first quarter of 1984 and during the 1983/84 fiscal year.

Ownership distribution of marketable Treasury bills (Table S-59)

Ownership distribution of domestic marketable stock debt of Central Government (Tables S-60 and S-61)

Ownership distribution of non-marketable Central Government debt (Table S-62)

The comparability of certain series in the above-mentioned tables has been affected by the changes discussed above, more specifically holdings of government securities by the Public Debt Commissioners and the monetary banking sector.

Public Investment Commissioners (Table S-64)

In terms of the new legislation, the Public Investment Commissioners now only invest funds earmarked for specific depositors. As stated above, funds are no longer administered for the General Sinking Fund because of the abolition of the Fund on 31 March 1984. These changes are reflected in this table from the end of March.