



South African Reserve Bank

Media Release
Wednesday, 15 February 2017

SA Reserve Bank Notes Competition Commission Decision

The South African Reserve Bank (SARB) has noted today's announcement by the Competition Commission South Africa (Competition Commission) that it has completed its investigation initiated in April 2015 and has referred to the Competition Tribunal for prosecution a case of price fixing and market allocation in the trading of foreign currency pairs involving the South African Rand (ZAR).

The investigation related mainly to international financial institutions that had allegedly been directly or indirectly, and in collusion with each other, involved in unlawfully distorting competition in the foreign exchange market for the USD/ZAR pair in offshore financial centres.

The rand is a globally traded currency. Some 30.0% of daily turnover in the ZAR takes place in South Africa, and turnover with non-residents accounts for 57.5% of domestic turnover. Figures published by the Bank for International Settlements indicate that for the month of April 2016, the daily average worldwide turnover in the foreign exchange market involving the ZAR was approximately USD49.0 billion. This represented 1% of total turnover in the international foreign exchange markets.

At the time of the launch of the Competition Commission's investigation, a joint SARB and Financial Services Board (FSB) process was already underway to review foreign exchange operations of authorized foreign exchange dealers in the domestic market. This review was not informed by any allegations or whistle-blowing, but represented a proactive step on the part of the authorities in response to various other investigations that were being undertaken by international regulators.

The objective of the review was to establish whether there was any misconduct or malpractice in the South African foreign exchange market, and to put forward recommendations on how foreign exchange trading practices could be strengthened to enhance the efficiency, integrity and credibility of the local foreign exchange market.

The review¹ found no evidence of serious and widespread misconduct in the South African foreign exchange market, but saw scope for the improvement in overall market conduct and made several recommendations in this regard. A number of these recommendations are currently being implemented. At the conclusion of the review, it was stated that should any irregularities be revealed as part of the Competition Commission's investigation, which link violations in other international financial centres to operations of local authorised dealers, the matters would be followed up and appropriate action would be taken by regulators.

The SARB sees the allegations in a serious light. The SARB will allow the legal processes now initiated to run their course, and will continue to monitor developments closely to inform any action that we may need to embark upon in accordance with our mandate and jurisdiction.

Issued by SARB Media Relations

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¹ The report of the Foreign Exchange Review Committee on the Operations of Authorised Dealers in the South African Foreign Exchange Market can be accessed via the following link: <http://www.resbank.co.za/publications/detail-item-view/pages/publications.aspx?sarbweb=3b6aa07d-92ab-441f-b7bf-bb7dfb1bedb4&sarblast=21b5222e-7125-4e55-bb65-56fd3333371e&sarbitem=6928>