

Statement regarding the abolition of the fixed pattern of interest rates on Government securities

Issued by the Governor of the South African Reserve Bank, Dr. T. W. de Jongh

18 February 1975.

After the usual consultation with the Treasury, the Reserve Bank has decided to abolish its fixed pattern of interest rates for transactions in Government securities with effect from 19 February 1975. In future the Bank's dealings in Government securities will be at market-related prices, but with due account being taken, of course, of the broad monetary policy in operation at the time.

The policy of maintaining a fixed pattern of interest rates for the various maturities of Government stocks and adjusting this pattern only from time to time in response to changed conditions, was first adopted in July 1952. Its main purpose through the years has been the maintenance of stable and orderly conditions in the gilt-edged market, which was not considered broad and active enough to function satisfactorily without such a fixed Reserve Bank pattern. In May 1955, however, in the light of the further development of the money market, the fixed pattern for maturities of less than three years was abolished and the determination of the relevant rates left largely to market forces.

The additional step of now also abolishing the fixed pattern for maturities of three years and longer represents recognition of the progress made in recent years in the development of a gilt-edged market in South Africa, and is also in accordance with the use of open-market operations as part of official monetary policy.

Verklaring insake die afskaffing van die vaste stel rentekoerse op staatseffekte

Uitgereik deur die President van die Suid-Afrikaanse Reserwebank, dr. T. W. de Jongh

18 Februarie 1975

Ná die gebruikelike oorlegpleging met die Tesourie het die Reserwebank besluit om met ingang 19 Februarie 1975 sy vaste stel rentekoerse vir transaksies in staatseffekte af te skaf. In die toekoms sal die Bank se transaksies in staatseffekte teen markverwante pryse plaasvind, maar met volle inagneming natuurlik van die breë monetêre beleid in werking op die betrokke tydstop.

Die beleid om 'n vaste stel rentekoerse vir die onderskeie looptye van staatseffekte te handhaaf en om hierdie stel slegs van tyd tot tyd in reaksie op veranderde omstandighede aan te pas, is aanvanklik in Julie 1952 ingestel. Die hoofdoel hiervan deur die jare was die handhawing van stabiele en ordelike toestande in die mark vir prima-effekte, wat nie as breed en aktief genoeg beskou is om sonder so 'n vaste stel Reserwebankkoerse bevredigend te funksioneer nie. In die lig van die verdere ontwikkeling van die geldmark is die vaste stel koerse vir looptye van minder as drie jaar egter in Mei 1955 afgeskaf en die bepaling van die toepaslike koerse hoofsaaklik aan markinvloede oorgelaat.

Die bykomende stap om nou ook die vaste stel koerse vir looptye van drie jaar en langer af te skaf, verteenwoordig erkenning van die vooruitgang wat in onlangse jare in die ontwikkeling van 'n mark vir prima-effekte in Suid-Afrika gemaak is, en is ook in ooreenstemming met die gebruikmaking van opemarktransaksies as deel van amptelike monetêre beleid.