

Understanding South African Financial Markets

Chapter 2: The South African Reserve Bank



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Study outcomes

The objective of this chapter is to explain the role of the South African Reserve Bank (SARB) in the economy.

When you have studied this chapter you should be able to

- explain the role of the SARB in the financial system
- describe how the SARB is structured
- discuss the core functions of the SARB
- understand the relationship between the SARB and the government
- discuss the subsidiaries of the SARB.



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Introduction

Overview

- Structure of the bank
- The core functions of the bank
- Branches and subsidiaries of the SARB

Independence of the SARB

Role of the SARB in the financial system



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Structure of the Bank

Monetary Policy Committee

Financial Stability Committees



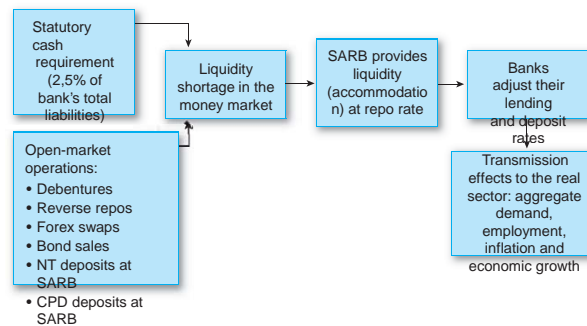
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The core functions of the Bank

Monetary policy

- The theoretical monetary policy framework – inflation targeting
- The operational framework of monetary policy

Figure 2.1 Monetary policy implementation framework (Textbook page 44)



- Open-market operations

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The core functions of the Bank

Prudential supervision of financial institutions and the financial system

- Macroprudential supervision
- The microprudential approach

Central clearance and settlement – the National Payment System

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Government services

- Government banking accounts with the SARB
 - Exchequer and paymaster general accounts
- Administration costs
- Privatisation of government accounts – tax and loan accounts
 - Customs and excise account
- The role of the central bank as agent and advisor to government
 - Money market: treasury bill tenders
 - Capital market: government bonds
- Foreign exchange services
- Public debt management policies
- Administration of exchange control

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Custodian of the country's official foreign exchange reserves

- Reserve management in the SARB

Issuing of banknotes and coins

Collection and interpretation of economic data and research

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Branches and subsidiaries of the SARB

The Corporation for Public Deposits

The South African Mint

The South African Bank Note Company

