Part J: The investigation by the KPMG team into transactions that gave rise to the rapid depreciation of the rand during 2001

Index

Table of graphs, charts, diagrams and tables contained in Part J

J The investigation by the KPMG team into transactions that gave rise or contributed to the rapid depreciation of the rand during 2001

1 The Commission appointed KPMG to identify transactions that gave rise or contributed to the rapid depreciation of the rand during 2001. The team consisted of six members, amongst whom were computer and exchange control experts and financial consultants ("the KPMG team").[1]

2 The sources of information were inter alia the following:

- statistical data provided to the Reserve Bank by authorised dealers, which data the team obtained from the Reserve Bank;
- statistics on the US dollar/rand exchange rate obtained from Bloombergs;
- applications by residents to Exchange Control for off-shore investments exceeding R100 million;
- the September to December 2001 JSE monthly bulletins;
- the 2001 and 2002 Reserve Bank Quarterly Bulletin;
- McGregor's bureau for financial analysis;
- information supplied by the Bond Exchange of South Africa ("BESA") on bond values;

[1] The KPMG team prepared a report on the "Investigation into statistical and other data" and Ms A Beck gave evidence at Record 1614-1639

- the responses of corporates to questionnaires sent to them by the team;
- information supplied by authorised dealers and corporates on specific enquiries by the team;
- information supplied via the tip-off lines operated by KPMG and Deloitte & Touche.

3 The scope of the investigation was limited to transactions between:

- South African legal entities and natural persons, on the one hand, and authorised dealers, on the other hand; and
- non-resident banks and authorised dealers.

The investigation excluded transactions between:

- authorised dealers (the Deloitte & Touche team focussed on those transactions);
- non-resident banks, the so-called off-shore/off-shore transactions (Exchange Control does not keep information on those transactions); and
- non-residents, other than banks (Exchange Control does not keep information on those transactions).

4 KPMG identified, analysed and investigated the following:

- days of large movements in US dollars/rand exchange rates;

- categories of largest inflow, outflow and net flow of foreign currency in rand terms;
- days when there were large net sales of rand by non-residents to authorised dealers in the spot and forward markets;
- applications exceeding R100 million by residents to invest off-shore;
- resident corporates who were most active in the foreign currency market;
- the after-hours US dollar/rand exchange rate.

5 <u>Large movements in US dollar/rand exchange rate</u>

The team identified the days in 2001 on which there were large movements in the US dollar/rand exchange rate. The days in 2001 that the team identified were 10 January, 8 March; 12 and 13 September; 3, 15, 16 and 22 October; 5, 21, 29 and 30 November; and all trading days in December except 31 December. The result of the analysis is set out in this table:

Table 1 : Days of large USD / Rand movements, §36 p 13 of the Report

Days of large USD / rand movement	*Rand strengthen / (weaken) SA cents*
12/09/2001	(3.86)
13/09/2001	(.27)
03/10/2001	(19.75)
15/10/2001	(7.50)
16/10/2001	(22.40)
22/10/2001	(22.76)
05/11/2001	4.32 *[2]
21/11/2001	(16.05)
29/11/2001	(41.86)
30/11/2001	2.53*
03/12/2001	(14)
04/12/2001	(18.50)
05/12/2001	(59)
06/12/2001	(30.50)
07/12/2001	(5.00)
10/12/2001	(4.00)
11/12/2001	(19)
12/12/2001	(1.00)
13/12/2001	(37)
14/12/2001	(71.50)
17/12/2001	15*
18/12/2001	(16)
19/12/2001	(27)

2 In the case of all figures marked with an asterisk (*) the following applies: Although the rand appreciated on these days, there was a high level of volatility and a significant weakening of the currency during such days.

Days of large USD / rand movement	*Rand strengthen / (weaken) SA cents*
20/12/2001	(100)
21/12/2001	145,50*
24/12/2001	11*
27/12/2001	8*
28/12/2001	(19.50)

6 <u>Selected categories of large net flows of foreign currency in rand-terms</u>

6.1 The basis of this investigation was the Reserve Bank's balance of payments categories. The team identified, during the period 1 April to 31 December 2001, the categories of the largest inflow, outflow and net flow of foreign currency in rand terms ("the selected categories").[3] The team then identified the days, if any, in each selected category when there were unusually large net outflows of foreign currency. The team drilled down to identify unusually large transactions on those days. The team thereafter established whether unusually large transactions coincided with days on which there were large movements in the US dollar/rand exchange rate. Where days of unusually large transactions coincided with days on which there were large movements in the

3 On 1 April 2001 Exchange Control introduced a new system of returns by means of which authorised dealers have to submit balance of payment information to it. Prior to this date, balance of payments information was not available in the same format.

US dollar/rand exchange rate, the transactions were investigated further.

6.2 Having established the transaction dates and the inflow, outflow and net flow of foreign currency in all the South African balance of payment category codes, the team selected categories with large outflows for further analysis. Outflows were considered as those with the flows that could have caused or contributed to the rapid depreciation of the rand:

Table 2 : Large categories of foreign currency outflows in rand terms (the selected categories), p 17 of the Report

Balance of payments category code	*Description of category*	*Outflow : Rand billion during period 01/04/01 – 31/12/01*	*Percentage of total rand outflows during period 01/04/01 – 31/12/01*
102/103	Imports of goods	171,7	12.36
401	Dividends paid by resident companies to non-resident shareholders	16,9	1.22
701	Sales by non-residents of shares issued in SA	204,0	14.69
702	Sale of domestic bonds by non-residents	796,0	57.32
703	Money market instruments[4]	18,2	1.31
901	Payments not classified	44,2	3.18
999	Repayments by residents of loans made to them by non-residents	29,8	2.14
Sub-Total		1280.8	92.22
Categories not selected by the team		107.8	7.78
Total		1388.6	100.00

[4] e.g. Short term deposits.

6.3 The team analysed each of the selected categories set out in Table 2 as follows:

Table 3 : Analysis, per selected category, of large foreign currency outflows in rand terms: Report page 19

Item	*Balance of payments category code*	*Balance of payment category description*	*Graph annexure Number*	*Average daily net outflow during the period 1/4/01 - 31/12/01 R million*	*Days considered for further analysis*	
					Date	*Outflow R million on relevant day*
1.	102/103	Imports of goods	5.1 and 5.2	(166.4)	30/04/2001 19/11/2001	(5 960.40) (1 911.80)
2.	401	Dividends paid by resident companies to non-resident shareholders	5.3	(47.5)		
3.	701	Sales by non-residents of shares issued in South Africa	5.4	(23.2)	10/04/2001 30/04/2001 08/06/2001 07/12/2001 14/12/2001	(4 361.22) (1 220.59) (1 240.43) (1 207.93) (811.84)
4.	702	Sale of domestic bonds by non-residents	5.5	(29.5)	12/04/2001 11/09/2001 11/10/2001 22/10/2001 06/12/2001 20/12/2001	(21 236.66) (2 403.79) (1 499.42) (1 664.80) (1 090.76) (1 897.89)
5.	703	Money Market Instruments	5.6	(1.4)		
6.	901	Payments not classified	5.7	(1.5)	04/10/2001	(690.26)
7.	999	Repayments by residents of loans made to them by non-residents	5.8	(466.4)	04/05/2001 21/05/2001 21/09/2001 14/11/2001 21/11/2001	(1 415.64) (1 422.17) (2 436.35) (1 208.22) (4 327.69)

6.4 The outflows, per item number in Table 3, on further analysis were the following:-

6.4.1 Item 1: Table 3: imports of goods

Included in the outflow of R5.9 billion was apparently a transaction of R5.8 billion. An authorised dealer, however, had made a mistake: the transaction was for only R58 million. The error had no effect on the exchange rate.

Included in the outflow of R1.9 billion was a transaction for R690 million. The team established that the R690 million outflow by BMW South Africa (Pty) Ltd ("BMW") was matched by an equal export inflow by BMW and could not have caused or contributed to the rapid depreciation of the rand.

6.4.2 Item 2: Table 3: dividends paid by resident companies to non-resident shareholders

The team obtained from the Reserve Bank Quarterly Bulletins the total dividend inflows and outflows of the whole South African market:

Table 4 : Total dividend inflows and outflows per quarter in 2001 and the total for 2000, Report p 23

2001	Q1 Rand million	Q2 Rand million	Q3 Rand million	Q4 Rand million	Total 2001 Rand million	Total 2000 Rand million
Inflow	1 198	5 441	2 230	1 810	10 679	8 787
Outflow	4 436	11 593	7 873	7 013	30 915	17 650
Net	(3 238)	(6 152)	(5 643)	(5 203)	(20 236)	(8 863)

Exchange Control provided the team with the transaction dates and values of all dividend flows during 2001 for the off-shore listed companies:

Table 5 : Total dividend outflows compared to the dividend net outflows[5] of offshore listed companies per quarter in 2001, Report p 23

2001	Q1 Rand million	Q2 Rand million	Q3 Rand million	Q4 Rand million	Total Rand million
Total Outflow	4 436	11 593	7 873	7 013	30 915
Listings Net Outflow	3 165	1 959	278	1 284	6 686
%	71.4	16.9	3.5	18.3	21.6

Based on an analysis of that information, the conclusions the KPMG team came to were these:

5 Net outflow was used to ensure comparability across all the offshore listed companies. The net inflow was not significant.

- the off-shore listed companies' net outflow of dividends is significant and might have contributed to the rapid depreciation of the rand in 2001;
- however, the off-shore listed companies did not contribute significantly to the rapid depreciation of the rand in the fourth quarter of 2001: the off-shore listed companies purchased foreign currency to pay the R1 284 million dividends in small amounts over the last quarter, with minimal purchases in December 2001.

6.4.3 <u>Item 3: Table 3: sales by non-residents of shares issued in South Africa</u>

As appears in Item 3 of Table 3 in most instances where there were rapid depreciations of the rand, there were also major outflows of proceeds of the sale of South African shares by non-residents. On each of the days identified in Item 3 in Table 3 there were several hundred transactions in terms of which non-residents sold shares issued in South Africa. Those transactions might have contributed to the depreciation of the rand on the days concerned.

The team then decided to identify any unusual share trading volumes during November and December 2001 with the intention to drill down further should unusual trading volumes be found. The team established that there were unusually high trading volumes in South African Breweries ("SAB") shares on the JSE for the week ending 30 November 2001. The team established from SAB that:

- there was an unauthorised leakage in the United Kingdom media overnight on 27 December 2001 of a document allegedly falsified and attributable to Interbrew's investment bankers, which included an apparent intention to acquire or merge with South African Breweries;
- on 30 November 2001 Interbrew announced that the leaked document had been falsified and that it had no intention of making an offer for SAB;
- the Financial Services Authority is conducting an investigation into the falsely leaked information.

The unusually high trading volumes in SAB shares on the JSE during the week ending 30 November 2001 may have resulted in the following:

- the sale of SAB shares on the JSE by non-residents; and

- the purchase and large outflow of foreign currency after settlement in the week ending 7 December 2001.

  Included in the amount of R4.3 billion in item 3 in table 3 there was apparently a transaction for R3.7 billion. This was a further system error by an authorised dealer: the correct figure was R37 million.

6.4.4 Item 4 Table 3: Sale of domestic bonds by non-residents

In most instances when there were rapid depreciations of the rand, there were major outflows of proceeds from the sale of bonds by non-residents.

The team concluded that the bond market is very liquid and that non-residents trade extensively in the market. Non-residents invest in the South African bond market for several reasons, including the high yield that is offered compared to bonds in other countries. However, when the US dollar/rand exchange rate drops, there is a point when the currency loss matches the additional yield obtained. When that happens, non-residents sell the bonds and take their funds off-shore, usually in US dollars. The increased demand for foreign currency leads to a drop in the US dollar/rand exchange rate, which in turn leads to more selling of bonds, causing a spiral effect.

It was unclear to the KPMG team whether the sale of bonds triggered the fall in rand or vice versa.

Included in the R21.3 billion sales of bonds outflow on 12 April 2001 there was apparently a transaction for R20.6 billion. This was due to another system error by an authorised dealer: the correct figure was R206 million. The error would not have had an effect on the exchange rate of the rand.

6.4.5 <u>Item 7: Table 3: Repayments by residents of loans made to them by non-residents</u>

The repayments by residents of loans made to them by non-residents would be currency neutral and would have had a minimal effect on the rand.

7 <u>Identification of days when there were large net sales of rand by non-residents to authorised dealers in the spot and forward markets</u>

7.1 During the period 1 September to 31 December 2001 the team identified:

- days on which there were large net sales of rand by non-residents to authorised dealers in the spot and forward markets;

- the days on which large non-resident/authorised dealer sales coincided with days on which there were large movements in the US dollar/rand exchange rate;
- days of large net sales of rands by non-residents to authorised dealers. The days identified were 19 and 30 November and 5 December 2001. An analysis of those days reveals:

<u>Table 6 : Large net sales of rands by non-residents, Report p35</u>

Date	*Net sale of rands by non-residents to authorised dealers USD million*	*Large non-resident sellers of rand to authorised dealers*		*Large buyers of rand from non-residents by authorised dealers*	
		Name	*US$ million*	*Name*	*US$ million*
19/11/01	121	Standard Bank Ldn ABN Amro Royal Bank of Scotland	134.6 17.8 9.0	SCMB	130.7
30/11/01	77.9	Deutsche AG Barclays Bank of America Goldman Sachs	14.3 24.0 17.5 19.0	SCMB Deutsche RMB Nedbank	21.2 22.9 23.1 9.9
05/12/01	78.3	Deutsche AG UBS First Int'n Bank of Israel	12.9 32.8 16.3	Deutsche Bank BOE Morgan Guaranty NIB SCMB	17.0 9.0 12.0 8.7 10.1

7.2 The following appears from Table 6:

- the entries on 30 November and 5 December 2001 are insignificant as the amounts are total net volumes of smaller transactions concluded on those dates;
- the first entry on 19 November 2001, a sale or sales by Standard Bank London of the rand equivalent of USD134.6 million, turned out, on investigation, to be an option deal between SCMB and Standard Bank London that resulted in the transactions being spot neutral and therefore would have had no effect on the rand.

7.3 The team established that non-resident banks were net sellers of rands to authorised dealers on 10 out of 23 business days in November 2001 and on 4 out of 19 business days in December 2001. Non-resident banks were therefore buying rand and selling US dollars to the authorised dealers for most of the time (28 out of 42 business days) during November and December 2001. That would have supported the rand. There is no indication that non-resident banks were responsible for the depreciation of the rand during November and December 2001. However, the volume of US dollars sold by non-resident banks decreased over this period, while the demand for US dollars did not reduce, and that fact -

and not a large scale selling of rands by non-resident banks – put pressure on the rand.

8 <u>Applications exceeding R100 million made by residents to invest off-shore</u>

8.1 Exchange Control supplied the KPMG team with 69 applications which exceeded R100 million made by residents during 2001 to invest off-shore. Exchange Control provided the team with the application dates and the team established the transaction dates from the authorised dealers or corporates. When transaction dates coincided with days on which there were large movements in the US dollar/rand exchange rate, the transactions were investigated further.

8.2 Off-shore investments by resident corporates are normally done in one or more of the following ways:-

(a) transfer of cash to buy shares or assets off-shore;

(b) share placements or asset swaps.

(a) <u>Cash transfers</u>

The team identified transactions where the transaction dates coincided with days of large movements of the US dollar/rand exchange rate:

Table 7 : Investment offshore by corporates on days where there were a rapid depreciation of the rand. Report p 39

Item	*Transaction date*	*Resident Corporate*	*Offshore Investment companies*	*Amount approved by Excon*	*Currency outflow*
1	13/12/01 14/12/01	Harmony Gold Mining Co	Bendigo Mining	AUD 50 m	AUD 22 m R 127 AUD 28 m R 164
2	04/12/01	Standard Bank	Standard Bank Mauritius	USD 20 m	USD 20 m
3	3/12/01	Vodacom	Vodacom Congo	USD 39 m	USD 39 m
4	31/12/31	ABSA	Banco Austral	R 110 m	USD 4 m
5	12/09/01	BOE	BOE International	GBP 22 m	GBP 22 m

Item 1 Table 7:

Harmony invested AUD 50 million (= USD26 million) on 13 December 2001. Harmony simultaneously sold export proceeds of USD11.4 million to fund part of the investment and effectively purchased only USD14.6 million on that day in the forex market. That amount would have been large enough to have moved the market at the time. The rand fell from R11.11 to R11.48 on 13 December 2001.

Item 2 Table 7:

On 4 December 2001 SBSA invested USD20 million off-shore. The transaction was concluded in USD2 million and USD3 million tranches with different counterparties to avoid moving the market. The size of the tranches makes it unlikely that they would have had a significant effect.

Item 3 Table 7:

On 3 December 2001 Vodacom (Pty) Ltd invested USD39 million off-shore. The forward contract had been taken out on 2 November 2001, which was not a day of rapid depreciation of the rand.

Item 4 Table 7:

On 31 December 2001 Absa invested USD4 million off-shore. The rand depreciated only 1 cent on that day.

Item 5 Table 7:

On 12 September 2001 BoE invested £22 million off-shore. Although the rand depreciated on that day, it was the events of 11 September 2001 that moved the rand rather than transactions in South Africa.

(b) Share placements and corporate asset swaps

There is no cash flow in share placements and corporate asset swaps and therefore the rand is not affected. A disposal or hedging of the shares of assets could affect the rand exchange rate. The team could not verify whether the non-resident corporate investors concerned had done any hedging.

8.3 Institutional investors, eg pension funds, long-term insurers, unit trusts and fund managers, may make off-shore investments up to a specified portion of their total assets under management, which is limited to a percentage of the inflow into the fund concerned during the previous year. The team's enquiries indicated that institutional investors tended to take out their allowances in tranches, beginning after the release of the annual Exchange Control Circular, normally close to the budget speech day, continuing through the second quarter of each year. However, on 13 November 2001, Exchange Control issued Circular D346 which permitted an additional class of institutional investor, fund managers, to invest a portion of their funds off-shore. Following on that permission, applications totalling R1.9 billion were received in November 2001 and approved by Exchange Control in December 2001. The approvals expired within 30 days or at the latest 31 December 2001. In order to utilise their allowances before expiry, the institutional investors bought foreign currency to buy shares and/or placed the foreign currency on deposit in anticipation of buying shares in 2002. SCMB Securities (Pty) Ltd obtained an extension to use its allowance until 14 December 2002.

As a consequence, the foreign currency equivalent of R1.765 billion was bought by institutional investors in an illiquid and volatile market. The rand fell from R10.25 on 1 December 2001 to R11.97 on 31 December 2001 and reached a low of R13.81 on 21 September 2001.

9 Resident corporates most active in the forex market

From information obtained from Exchange Control and supplied to the KPMG team at its request, the team identified large or unusual transactions and came to the following conclusions:

9.1 Anglo American Corporation of South Africa Ltd ("Anglo American")

Anglo American has Exchange Control approval to invest up to USD150 million of its surplus funds off-shore. Those investments do not affect the rand because dollars are bought at spot and covered forward to maturity date. To ensure that dividend remittance occurs in an orderly fashion, Exchange Control has given approval to Anglo American to remit amounts in a manner that causes minimal disruption to the forex market. Anglo American transacted in accordance with that approval.

9.2 AngloGold Ltd ("AngloGold")

As a result of the change in its hedging policy in early 2001, AngloGold sold a smaller amount of US dollars in the spot and forward markets in 2001 than it had done in previous years. This may have had a negative effect on the rand exchange rate. (In its "Conclusions" §24.3 of the Report, however, the team stated, in regard to both the De Beers and AngloGold changes in hedging policy: "The impact hereof on the USD/rand exchange rate is impossible to assess as it would have been spread over the year.") The change in policy and its effect were not illegal or unethical.

9.3 Anglo American Platinum Corporation Ltd ("Angloplat")

In terms of exchange control, dividends are required to be remitted immediately. Angloplat was given permission by Exchange Control to retain for a maximum period of six months a dividend of USD36 million off-shore that it might have required for a potential off-shore investment. The dividend was remitted in September 2001 within the six month period. This transaction would not have led to the rapid depreciation of the rand.

9.4 BP Southern Africa (Pty) Ltd ("BP")

BP had problems in obtaining payment from businesses in Africa within agreed credit terms. This was due to a shortage of foreign exchange and cash flow problems of debtors, especially government and quasi-government debtors. As at 31 December 2001 BP had overdue foreign debtors of USD12 million that exceeded 180 days (that had been reported to their bankers). The value of the transactions is unlikely to have affected the rand.

9.5 De Beers Consolidated Mines Ltd ("De Beers")

Previously the proceeds from the sale of exports were remitted by De Beers to South Africa immediately upon receipt. From July 2001 De Beers granted credit terms of 180 days to the purchaser of its diamonds, DTC London. The change in policy delayed the flow of dollars in the US dollar/rand exchange market and may have negatively affected the rand exchange rate. The change in policy was not illegal or unethical.

9.6 Dow AgroSciences Southern Africa (Pty) Ltd ("Dow Agro")

Dow Agro wound up an off-shore insurance company which was anticipated would have USD26 million reserves that would be repatriated to South Africa. Dow Agro sold US dollars forward in July 2001 for settlement on 28 December 2001. The anticipated reserves did not materialise and Dow Agro had to purchase the dollars on 21 December 2001 for settlement on 28 December 2001. (Dow Agro did transfer the balance of the reserves of R205 million in accordance with exchange control rules.) This transaction might have contributed to the depreciation of the rand. On 21 December 2001 the rand rallied for a time but then hit a low of R13.81 during the day.

9.7 <u>Engen Petroleum Ltd (“Engen”)</u>

Although all its debtors are within exchange control requirements, Engen does have debtors exceeding their credit limits. These relate to exports to African countries where there is a shortage of foreign currency and cash flow problems, eg Zimbabwe. The value of those transactions is unlikely to have affected the rand.

9.8 <u>Eskom</u>

South African companies may take forward cover when they have a firm commitment in foreign currency. If the invoice is in rand, no forward cover may be bought without Exchange Control approval. Eskom has Exchange Control approval to take forward cover for the foreign content of contracts between Eskom and contractors, despite the fact that the contractors invoice in rand and that Eskom pays in rand. Eskom requires such forward cover because in the invoice the foreign content of the contract (eg machinery imported by the contractor) is converted by the contractor to rand at the current exchange rate on the date of the invoice. On the date when Eskom pays the contractor, Eskom sells the forward cover, effectively cancelling the original forward cover. The purchase by Eskom of forward cover might have contributed to the rapid *depreciation* of the rand. However, the cancellation by Eskom might have contributed to the *appreciation* of the rand and Eskom did have significant cancellations in both November and December 2001.

9.9 Ethos Private Equity Ltd ("Ethos")

Ethos concluded significant forex transactions in the first two weeks of December 2001 when it was hedging an underlying transaction. On 5 December 2001 Ethos bought net USD10 million. The rand fell from R10.57 to R11.16 on that day. The Ethos transaction might have contributed to the depreciation of the rand on that day.

9.10 Equity Diamond Cutting Works (Pty) Ltd ("Equity Diamonds")

Equity Diamonds exports diamonds worth about USD5 million per month and is has some imports payable in US dollars. In the week ending 7 December 2001, Equity Diamonds bought USD65 million spot and sold USD50 million spot and USD10 million forward. The transactions were done in USD10 million, USD5 million and USD3 million tranches. Equity Diamonds made a loss of R7.9 million on those transactions. All the transactions were done through Nedbank. Nedbank identified the excessive trading in December 2001 and suspended the direct dealing facility that Equity Diamonds had with the dealing room.

Equity Diamonds had underlying commitments of a maximum of USD10 million. Accordingly, to the extent to which its dealing exceeded normal hedging activities, the dealing would be speculative in nature. At one point on 7 December 2001, Equity Diamonds had sold USD39 million with an underlying exposure of USD10 million. Prima facie, the transactions in excess of underlying commitments were a contravention of exchange control rules. The possible contraventions of exchange control rules were reported to Exchange Control.

During the week ending 7 December 2001, the rand depreciated against the US dollar from R10.25 to R11.19. The Equity Diamond transactions might have contributed to rapid depreciation of the rand during that week.

9.11 Sasol Limited ("Sasol")

Sasol made the following purchases in the forex market relating to the Mozambique pipeline and oxygen plant:

- 27 September – 18 December 2001: USD123 million;
- 1 October – 11 December 2001: €72.5 million.

Sasol purchased the following in the forex market in relation to the off-shore investment in Sasol Chevron:

- 13 December – 21 December 2001: USD80 million.

Those transactions might have contributed to the rapid depreciation of the rand during late November to December 2001.

10 After-hours trading

The team analysed after-hours USD/rand exchange rates, which were affected mainly by non-residents, to assess whether after-hours trading by non-residents caused or contributed to the rapid depreciation of the rand during 2001. A graph prepared by the team reflects that overnight movements in the USD/rand exchange rate were considerably less significant than those during the normal trading day, even in periods when the rand was moving rapidly. Consequently, no further investigation of after-hours trading was considered necessary.

11 Conclusions of the KPMG team

11.1 Without suggesting any illegality, collusion, unethical conduct, improper gain or improper avoidance of loss, the following transactions or series of transactions might have contributed to the rapid depreciation of the rand in 2001:

(a) the issue of Circular D346 by Exchange Control and the investments off-shore which followed (see § 8.3);

(b) the high level of trading in SAB shares (see §6.4.3);

(c) the Dow Agro transaction on 21 December 2001 (see §9.6);

(d) the Sasol transactions in late 2001 (see §.9.11);

(e) the Ethos transaction on 5 December 2001 (see §9.9);

(f) the Harmony transaction on 13 December 2001 (see §8.2 item 1 Table 7);

(g) the off-shore listed companies' (Anglo American plc; South African Breweries plc; Old Mutual plc and Billiton plc) net outflow of dividends during 2001 was significant and might have contributed to the rapid depreciation of the rand, save that the off-shore listed companies did not contribute significantly to the rapid depreciation of the rand in the fourth quarter of 2001 (see §6.4.2).

11.2 The team found it impossible to assess the impact on the USD/rand exchange rate of the change in hedging policies of AngloGold and De Beers (see §'s 9.2 and 9.5).

11.3 The Equity Diamonds transactions during the week ending 7 December 2001 might have contributed to the rapid depreciation of the rand. Prima facie, those transactions were in contravention of exchange control rules (see §9.10).

11.4 The team's analysis of net sales of rand by non-residents gave no indication that the non-resident banks were responsible for the rapid depreciation of the rand during November and December 2001.

11.5 From the team's analysis there is no indication that after-hours trading by non-residents caused or contributed to the rapid depreciation of the rand during 2001.