

left with holding and which could be sizeable, may take some time to unwind and can even be rolled in to the forward market. Decision-making in this regard will be influenced by regulatory limits, internal limits and the view on the rand.<sup>103</sup>

### 32.2 Non-residents

The Governor expressed the view that, owing to the relatively free access that non-residents, particularly banks, enjoy in the US dollar/rand forex market, non-residents are in a position to speculate on the rand. South Africa has the mixed blessing of having more liquid financial markets than most other emerging markets. Consequently, in times of international crisis, South Africa's financial markets could be used as a proxy hedge for exposures to other emerging-market countries. Some of the non-residents view the rand as an international hedge currency and, through their established emerging markets trading desks, are prepared to trade the rand on a proprietary basis, that is for their own account. Non-resident banks trade rand very actively and represent some 55% of the total turnover in the rand forex market. It is because of the belief that non-residents were trading contrary to the existing exchange control rules (ie there was no underlying

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<sup>102</sup> Mboweni Bundle SARB (7) 39

<sup>103</sup> Memorandum of Reserve Bank Bundle SARB (7) 104

commitment to the transactions) that the statement of 14 October 2001 was issued.<sup>104</sup>

### 32.3 Importers and Exporters / Leads and lags

32.3.1 To enable the main bankers of major corporates to cope with the flow of foreign currencies, a system was devised whereby the funds were administered by the banks as part of their nostro<sup>105</sup> account balance pending conversion. To assist in identifying those funds separate sub accounts in the name of the customer were opened in the bank's nostro accounts (shadow) administration. Those accounts are known as the Customer Foreign Currency (CFC) accounts. In March 1998 the exchange control requirement to repatriate foreign currency earnings in respect of the export of goods and services within 30 days was extended to 180 days from date of shipment or date of service rendered. In September 1998 the CFC account system was amended to allow the retention of foreign currency earnings in respect of the export of goods to 180 from the date on which such funds were first credited to the CFC account.<sup>106</sup>

32.3.2 An exporter who anticipates a more favourable exchange rate delays converting export proceeds in the foreign

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<sup>104</sup>

Mboweni, Bundle SARB (7) 40-42; McCauley, Expert Bundle 58