

PROCEEDINGS RESUME ON 17 APRIL 2002:

CHAIRPERSON: Let us begin today's session. The first bank to give evidence today is BOE. The first witness is Mr Woollam. Is that correct?

MR WOOLLAM: That is correct.

5 CHAIRPERSON: Mr Wallace, you appear for the plaintiff.

DAVID WOOLLAM d.s.s.

EXAMINATION BY MR NAIDU: Mr Woollam, are you the Executive Director of Treasury and Finance for BOE Bank Limited and is your curriculum vitae attached the bundle as Woollam 1? --- Yes, that is correct.

10 Can you describe briefly the area of your responsibility in the bank? --- My role first of all as Group Financial Director is to manage the control functions of the financial process of the bank, that is complying with all the regulatory processes, the South African Reserve Bank's tax regulatory, statutory reporting for the JSE as well as all the companies' compliance etc. including internal management accounts. The second part of my
15 responsibilities are to manage the actual treasury operations of the bank and that is the funding treasury as well as the trading aspects of our treasury. We have a team in Durban which does funding and trading activities and I have executive responsibilities for that business unit.

20 And is it correct that you prepared a statement or a statement has been prepared for you which constitutes pages 1 to 10 of the bundle? --- Yes, that is correct.

You confirm and adhere to the contents of the statement? --- Yes, I do.

And you appreciate that this statement constitutes evidence before the Commission? --- Yes, I do. If I could just make one, an update, there is just one fact that has changed since this statement, if I may just point it out to you.

25 Yes. --- One annexure Woollam 2, the organisational charts of the Group of Companies, subsequent to this statement and concerning the last few days, we have put through a group rationalisation which has moved that a company called Sten .. (indistinct) Ltd, the green box, under BOE International Holdings Ltd so as to consolidate all the offshore entities under a single offshore holding company and that was done to comply with regulatory
30 requirements in the Isle of Man, so there is just a change of ownership, it has been done through a formal process and that was implemented in the last few days after we submitted this statement, the witness statement to the Commission. Just for the record, a point of fact.

35 Thank you. Is the structure of your group represented in the diagram that you prepared as Woollam 2 and the categories, the composition of each of the categories in the business described in Woollam 3? --- Yes, that is correct. If I can just elaborate on Woollam 2, you will see a box with BOE Bank Ltd, it is marked in red for those that have got colour copies. That is the only entity which currently has any currency trading activities within it and Woollam 3 is an exposure of the activities that are conducted within BOE Bank. So it just reflects all the operations that are conducted through the bank. They are divisionalised, so
40 we have .. (indistinct) the business and you will see them described in their different business activities on Woollam 3.

45 Thank you. Is there any foreign exchange trading between the bank and the offshore entities of the Group? --- There is no trading, we will provide where necessary foreign currency products to all the businesses in our group. Those are done as arm's length transactions. They are treated as third party customers and we have to go through a process of getting exchange control approval as we would for a client. So all inter-group companies are treated as clients and go through a full process of exchange control approval prior to any transaction.

50 You deal with your foreign exchange activities and exposures in paragraph 2.2 and the interaction between the division and subsidiaries about which you elaborated in paragraph 3 of your statement? --- That is correct.

55 In paragraph 4 you identify the financial markets in which you operate and in paragraph 5 the products. Is there anything that you would like to add or elaborate on in relation to the products in which your bank, in respect of which your bank transacts? --- No, I believe it is set out in the statement.

In paragraph 6 you deal with the market making as against speculating, speculative activities? --- Yes.

60 In paragraph 6.2 the last sentence, would you like to just comment or provide some details regarding the volume and magnitude that you refer to in the last sentence? --- Yes, the precise calculations are obviously not readily available, so there is no absolute reference

to size but we estimate that on a wide range of measures, our activity in the market constitutes anything between 2 and 5% of the market and in that regard we believe we are a very small player, that our activities cannot in any way influence the market as we are a minority player in the market.

5 And the specific details you provided, that the bank has provided to the forensic auditors appointed by the Commission? --- We have provided full details of all our activities to the forensic auditors, that is correct.

Thank you. In paragraph 7 you deal with your foreign exchange trading activities. Paragraph 7.1.1, would you like to elaborate on what you mean by price-taking? --- Yes, we defined in the previous paragraph market-making and market-making as being when you are both buying and selling products and you offer yourselves as a ... (indistinct) to which people can buy and sell product, any financial product from you. Price-taking we define as when we are in activities where we do not make both buy and sell prices, we may need a product, a financial product as a hedge or for structuring or for a client that we have. In that sense we will go and ask for a price from one of the major players in the market and to that extent we only have a choice as to whether we take the price they offer us. We do not have an influence over making the price and therefore influencing that particular market or product ... (indistinct) we play a secondary role in those products.

And then in 5 did you set out a schedule that reflects the markets in which your bank is involved as market-maker and as price-taker? --- Yes, that reflects the category classifications.

Paragraph 7.2.1, you state that the securities lending business, you describe it as modest? --- Yes, it is negligible, that is right.

In paragraph 8, the influential transactions, are you able to give some idea about the volume of flows that you are talking about in the last sentence? --- Our transactions in currency are very much, links only to client transactions. We have had absolutely no involvement in using a currency component in a structured transaction in any complex multi-product transactions, so to that extent we trade very vanilla basis, vanilla being the spot markets and the currency swaps and these forward markets. The very simple products and we very seldom have the need for embedding products into complex structures.

In paragraph 9 you deal with the effect of the rapid depreciation of the rand on the bank. Is there anything that you would like to add to what is contained in your statement? --- No.

In paragraph 10 you identify what factors that you have ascertained from other personnel in the bank that might have influenced the depreciation of the Rand? --- That is right.

Thank you, I have no further questions for this witness.

CHAIRPERSON: Any questions? I look in the direction of the Reserve Bank of course?

ALL PARTIES: No questions

40 CHAIRPERSON: Thank you, Mr Woollam, you may stand down.

NO FURTHER QUESTIONS

GORDON LITTLE d.s.s.

EXAMINATION BY MR NAIDU: Mr Little, are you the head of Treasury Operations at BOE Bank and do you describe your areas of responsibility in paragraph 1.2 of your statement? --
45 - Yes.

Was the statement completed for you which constitutes pages 1 to 10 with the annexures attached thereto and you confirm and adhere to the contents of this statement? --
- I do.

You appreciate that this statement with the annexures constitutes evidence before
50 this Commission? --- I do.

The information contained in your statement and to be included in the evidence you are about to give, does it constitute your personal knowledge and information about which you gained from other sources in the bank? --- It does.

In paragraph 2 you describe the risk management, internal control and compliance and you identify in Annexure Gordon 2, an extract from the bank's Group Risk Management Framework which deals with the compliance and the monitoring structures? --- That is correct.

Is there anything that you would like to add to what is contained in both your statement and the annexure? --- I feel we have presented quite a large extract from the
60 procedures and it covers it in some detail.

The proprietary trading aspects of the bank is dealt with in paragraph 2.3 and in 2.4 you deal with the code of ethics. Were there to your knowledge any breaches of the code of ethics by any of the staff of the foreign exchange section during the period under review? --- There were none to my knowledge.

5 And exchange control compliance you deal with in paragraph 2.5 and you attach a copy of a standard contract where a client buys foreign exchange forwards as Gordon 4? --- That is correct.

In paragraph 2.5.7 on page 9 of your statement, you deal with the response to your request of letters of confirmation from your foreign bank counter-parties. Are you able to comment on the percentage response? --- Certainly. We have a small number of foreign counter-parties that we deal with and we have experienced some difficulties in collecting the compliance letters from those counter-parties. We have to that end provided the details through to the Central Bank.

10 And then in paragraph 2.5.8, in the second sentence you refer to the fact that any suspicious transactions that you have detected have been reported to the Commercial Crime Unit. Are you able to just give an idea about the number and the seriousness of the transgressions? --- There were a small number reported. The transgressions tend to arise at branch level and are not material in the overall scheme of foreign exchange activities.

15 In paragraph 3.2 I take it that you must include or you would want to include the fact that you were unaware of any person or entity in the bank that had improperly avoided loss as well? --- That is quite correct.

Thank you, Mr Chairman, no further questions for this witness.

MS QUNTA: Just one question, you would have been informed by the Commission investigating team that there is an ongoing investigation going on into authorised dealers in terms of the Commission's terms of reference and you have been informed that to the extent that that report may affect BOE you will be recalled by this Commission. Are you aware of that? --- I was not fully aware of those details but we have no problem.

MR NAIDU: Madam Commissioner, I can confirm that the attorneys had been informed of the fact that subject to what might arise out of the forensic auditor's investigation they may be required to comment on anything that .. (drops voice, inaudible)

CROSS-EXAMINATION BY MR WALLACE: Mr Little, is it correct that your activities have in fact been the subject of fairly regular inspections over the past few years by the Reserve Bank? --- If I might respond, certainly the Reserve Bank visits our premises and our branches on an ongoing basis as part of their compliance and oversight role.

35 And has that given rise to any complaints about your trading activities in this area? --
- No, we have had a number of small issues brought to our attention. To my recollection there has been no material objections raised to our activities and the way we conduct ourselves.

Thank you, Mr Chairman.

40 CHAIRPERSON: You may stand down, Mr Little.

NO FURTHER QUESTIONS

MR NAIDU: Mr Chairman, that concludes the evidence on behalf of BOE Bank.

CHAIRPERSON: Yes, Citi Bank. Mr van der Nest and Mr Kriegler, you appear for Citi Bank.

ADE AYEYEMI d.s.s.

45 EXAMINATION BY MR NAIDU: Mr Ayeyemi, you are the Senior Country Operations Officer for Citi Bank in the South African branch? --- Yes.

And you describe the area of your responsibility in paragraph 2 of your statement? -
-- Yes.

50 Is it correct that you signed a statement dated 16 April which constitutes pages 1 to 7 of the Citi Bank bundle and you confirm and adhere to the contents of this statement? --- That is correct.

And you appreciate that this statement together with the annexures will constitute evidence before this Commission? --- Yes, I do.

55 You confirm also that the bank had been informed that there is the evaluation of the data supplied to forensic auditors and a report to be compiled and subject to what might appear in that report, the bank may be requested to respond to anything that may relate to the bank in that report? --- Yes, I do.

60 Does your statement and the evidence you are about to give constitute evidence within your personal knowledge and other information obtained from other sources and employees in the bank? --- That is correct.

Is your curriculum vitae attached to the documents, to your statement as AA1? --- That is correct.

In paragraph 4 you deal with Rand-Denominated loans to non-resident entities and you say that during the period under review the bank had made no rand-denominated loans to non-resident institutions? --- That is correct.

You have set out in Annexure AA2 a fairly comprehensive document which deals with the procedures for monitoring compliance, exchange control compliance. Is there anything that you would like to add to that document? --- Nothing at this moment.

May I refer you to page 13, paragraph 1.3.3.3. Would you like to explain what is an electronic note that is referred to in that paragraph? --- The process where transactions is moving through, our walk floor, the way we organise it, is that it moves electronically. Therefore the individual then used to act on any of those areas of transactions, will have to sign into it electronically and say either I approve or I protest and that is where it is secure within our system and cannot be changed by any other person than the individual that actually approved it. That is what we mean by that.

I see. In paragraph 6 you deal with the compliance monitoring procedure in relation to your form F178 and the CFC accounts and in paragraph 7 you deal with the monitoring of your CFC accounts and the overdrawn Vostro accounts? --- That is right.

Is there anything that you would like to add to what is contained in your statement? - -- Nothing further.

Thank you, Mr Chairman, I have no further questions for this witness.

CHAIRPERSON: Are there any questions?

ALL PARTIES: No questions

CHAIRPERSON: Thank you, you may stand down.

25 NO FURTHER QUESTIONS

MR NAIDU: The next witness is Mr Ingmar Scott.

INGMAR SCOTT d.s.s.

EXAMINATION BY MR NAIDU: Mr Scott, are you employed by Citi Bank, South Africa as Head of Trading in the Foreign Exchange Trading Department? --- That is correct.

30 And are you responsible, your areas of responsibility involve foreign exchange trading and managing the traders involved in both these spot and the forward markets? --- That is correct.

The statement that you signed dated 16 April constituting pages 1 to 30, you confirm and adhere to the contents thereof? --- Yes, I do.

35 And you appreciate that the statement and the annexures constitutes evidence before this Commission? --- Yes.

The statement, does it include information within your personal knowledge and information about which you discussed and obtained from other personnel in the bank? --- Yes, it does.

40 Is Annexure IS1 your curriculum vitae? --- Yes, it is.

In Annexures IS2 to 6 you set out the corporate structure of the bank, is there anything you would like to add to what is contained in paragraph 4.2 to 4.4 and the Annexures themselves? --- No, nothing further.

45 The key personnel in the relevant departments are identified in paragraph 4.5 and the products and markets in respect of which your bank is involved are set out in paragraph 5 of your statement? --- That is correct.

The client base described by percentage in paragraph 6, did your bank did supply the specific details to the forensic auditors appointed by the Commission? --- To be honest, I am not sure that we did supply it at the stage of the forensic auditors, we have found it useful to supply it in our written statement at this stage. I am sorry, I am under correction, it was included in the information.

55 In Paragraph 7 you deal comprehensively with your risk management, internal controls and compliance. In 7.2 you deal with your limits and the ethical standards and compliance therewith adopted by your bank, in paragraph 7.3. In paragraph 7.4.2.1, can you just briefly explain what you mean by compliance grids that are signed off on a regular basis?

--- We have a grid which consists of the most personal parts of our code of conduct and by each factor which is included in our code of conduct we demand to have a signature every week by traders involved in our treasury department. The purpose of the compliance grids is twofold, first of all we use it as a reminder to our traders of the most important parts of our code of conduct, therefore they have a weekly reminder of the most pertinent points and

secondly, it is a written compliance record that traders have complied with those.

To your knowledge were there any breaches of ethical standards during the period under review? --- No, not to my knowledge.

The telephone conversations which you say that are recorded, it is described in
 5 7.4.2.3, what steps are taken to secure these recordings and where are they kept? --- They
 are kept in a secure place outside of the Treasury Department and the access to those tapes
 is strictly controlled.

And what steps are taken by your bank to ensure or guard against personal account
 trading in the Forex market? --- In the foreign exchange market it is prohibited for foreign
 10 exchange traders to deal for their own account.

And they can be exposed through this monitoring system? --- Yes.

If there is non-compliance? --- Yes.

In paragraph 8 you deal with the impact on the bank results and activities and in
 paragraph 8.1.1 you say that, you talk about the consolidation of the financials in the USA.
 15 Are you able to comment on whether this consolidation could have had any effect on the
 rand? --- In fact we have experienced over recent years significant growth in our South
 African operation to the extent that we have not remitted any dividends to our head office in
 New York. In fact, it has been quite the reverse, we have actually had numerous capital
 injections from our head office into our operation locally and so on balance we have not been
 20 investing in this country as an organisation.

Let me just take you back to 7.5 of your statement on page 27. Are you able to
 indicate how many non-resident banks you are talking about and how they relate to your
 bank? --- A large proportion of the correspondent banks referred to are in fact Citi Bank
 branches.

And how many compliance certificates did you actually receive? --- I believe the
 number is somewhere in the region of 25 to 20.

Thank you, I have no further questions for this witness.

MS QUNTA: I just have one question, the telephone conversations that you record, what
 form are they stored in? --- They are stored on an electronic .. (indistinct) and in the event of
 30 a dispute or any requirement we retrieve that information and if it is possible after going
 through the process with the client's authorisation to retrieve it, that a person duly authorised
 can listen to those conversations.

So there are only a limited number of people within Citi Bank that can listen to those
 conversations? --- They require an authorisation process which is in the first instance
 35 supplied by the Treasury's approval to listen to it.

And for how long do you keep these records? --- I believe we keep them for a very
 long time, I am certain that we have kept them over the last several years.

In terms of the code, your internal compliance code, is that a cut off date for keeping
 them? --- No, there is not.

Is there a minimum period for keeping them? --- They are expected to be
 40 maintained for their useful life and to the extent that for example if we might be required to go
 back to conversations held at any time last year, we would still be able to do so.

I have no further questions.

CHAIRPERSON: Mr Scott, you may stand down.

45 NO FURTHER QUESTIONS

MR NAIDU: Mr Chairman, the next bank is JP Morgan.

JOHN JOSEPH COULTER d.s.s.

EXAMINATION BY MR NAIDU: Mr Coulter, are you the managing director head of Invest
 Banking and the CEO of JP Morgan Chase Bank in Johannesburg? --- I am.

50 And does photo 1 attached to your statement set out a brief curriculum vitae? ---
 Correct.

In your capacity as managing director and CEO do you have regional responsibility
 for all JPM's Johannesburg business? --- I do.

The statement that you prepared, do you confirm the contents and adhere to it? --- I
 55 do.

And you appreciate that the statement with its annexures constitute evidence before
 this Commission? --- Yes.

You confirm also that your bank had been informed that information obtained or
 submitted by your bank to the forensic auditors is being analysed and a report being
 60 prepared. Depending on what is contained in that report, your bank may be requested to

respond to that report? --- We would be very happy to do that.

Do you set out in paragraph 1.5 of your statement the matters that you are going to deal with in this statement and in paragraph 2 the overall group structure of the bank? --- Yes. I would just perhaps highlight that the foreign exchange activities are conducted in the
5 JP Morgan Johannesburg branch of JP Morgan Bank.

You set out in paragraph 3 the Products, Markets and role of your bank in this regard? --- Yes.

Is there anything that you would like to add to what is contained in this statement? --
- I would just highlight that in relation to the products we transact, other than in the direct
10 foreign exchange products that we deal in forwards and swaps and the spot transactions there was very little foreign exchange activity linked to any of our other products over the course of 2001.

Are you able to give some examples about what in practice your bank considers to be not illegal but unethical practices? --- It is a difficult question, I think that all employees of
15 JP Morgan are required to sign off on the JPMorgan worldwide rules and code of conduct which would govern their behaviour in the market place. Any breach of those worldwide rules may well constitute a transaction that was unethical. In terms of giving examples, perhaps a transaction from front running a client's order, acting on inside information where it is not prescribed as being illegal, those transactions I think would be unethical and would
20 obviously contravene those worldwide rules and code of conduct.

You set out in paragraph 4 the risk management framework and policies. Are you able to give some idea about how your bank monitors compliance by traders to keep within their limits? --- The traders, the transactions and positions are obviously monitored through a mid office and checked through a fairly complex process to ensure they have been
25 accurately recorded. We have, in addition to that sort of practical check we have a compliance department that sits on the floor and monitors the trading activity as well as ensuring of compliance with the worldwide rules that I have previously mentioned and provides annual training and reinforcement of the compliance rules to those on the floor.

You describe the compliance with exchange control in paragraph 6 of your statement. Is there anything that you would like to add to what is contained here? --- Just to
30 highlight that JP Morgan Johannesburg does not provide CFC or Vostro settlement accounts.

What are your bank's views and I refer you to what is stated in paragraph 6.9 of your statement, what are your bank's views regarding the entry activity and exit of non-residents from the rand market and do you consider the activity of non-residents in the market to be
35 beneficial or detrimental to the bank and to the economy in general and can you tell us why? --- I think it is a very broad question, perhaps I can take a stab at a couple of pieces of it.

Yes. --- I think the presence of more market participants in a trading market is a good thing, it helps with liquidity, it helps with the dispersion of risk which is obviously necessary for the efficient operation of a market place. Therefore, the withdrawal of market
40 participants for any market will be a negative factor in terms of reducing the liquidity in that market. So I think I would encourage more participants in the rand market rather than less on that basis. As to whether or not the activity of those participants in the rand market is good or bad for the rand, obviously it first of all depends on what they are doing but even in the case that might obviously look like a negative situation for the rand where potentially a
45 market participants has perhaps sold the rand and thereby causing a weakening effect on the rand, that may be seen as being negative for the rand short term but potentially beneficial for the South African economy in the long term. So which is why I state at the beginning that it is a complex question to which there is a fairly complex answer.

In paragraph 6.10 you identify the difficulties and you make certain
50 recommendations regarding the administration of exchange control. Would you like to add anything to that? --- No, I think I stated what I mean.

In paragraph 7 you deal with the compliance and the monitoring of ethical standards. Can you describe briefly how your bank monitors compliance with the ethical standards? --- I think similarly to what I answered before, our compliance department requires an
55 acknowledgement and adherence to the worldwide rules on an annual basis. There is compliance training that is mandatory for every staff member through the course of the year. Compliant themselves sit in the floor and interact with traders and then outside of the pure compliance function we have a middle office and support structure as well as financial and internal audit are present to ensure that the activity as stated by the trading staff is real and
60 as stated and in compliance with appropriate standards.

In paragraph 9 you deal with the impact of the rand's rapid depreciation on your bank's results, is there anything that you would like to add there? --- No.

Thank you, Mr Chairman, I have no further questions for this witness.

5 MR MARAITIS: On behalf of the South African Reserve Bank, I just have two points for clarification which I would like to raise with the witness. Mr Coulter, could I take you to paragraph 6.8.1 of your statement. --- Yes.

10 You are not suggesting, are you, in 6.8.1 that notwithstanding what the practice was in your Johannesburg branch before 16 October 2001, that there was no requirement prior to Exchange Control Circular D342 for the obtaining where necessary of information relating to fixed and ascertainable commitments? --- No, I am not suggesting that. We were very clear that it was necessary for us to be satisfied that the counter parties we were dealing with had a firm and ascertainable commitment. We just simply did not require documentary proof of that as being the .. (drops voice)

15 But in terms of Exchange Control Ruling B17 where necessary and if you deemed it necessary you would have obtained that documentation in writing? --- Absolutely. Where we felt there was, where we had a concern or were not satisfied that they had a firm and ascertainable commitment, then documentary evidence would have been required.

20 Then could I just take you to 6.8.2. You mention that the certificate which in terms of Circular D342 is to be obtained from compliance officers is not always given in the form and you go on to say specified by the South African Reserve Bank. Is it not correct that the form of which the compliance certificate was to be given was not specified by the South African Reserve Bank but rather was prepared to ACI which is an organisation to which authorised dealers belong to and was merely approved by the South African Reserve Bank? --- I think perhaps your description is a more accurate one than specified by the SARB but the intention here is the same.

25 Thank you, that is all I have. Thank you, Mr Chairman.

MS QUNTA: Just to indicate that, I mean I have only had sight of your statement now and obviously in the absence of data from the Commission's own investigations I do not have questions at the moment but it may be that I might have one once the investigation has been concluded. --- We have made a very full disclosure and provided a lot of information to the forensic auditors and we would be very happy to respond to any questions you have on that at a later date.

I have no further questions.

35 MR GANTSHO: I have two general questions, Mr Coulter. Did JP Morgan directly or indirectly, locally or nationally, participate in any way in the financing of the investment by M-Cell last year into MTN Nigeria? --- No, we did not.

The second question is did JP Morgan at any time last year acquire shares of M-Cell? --- No, we did not.

40 Not directly, not indirectly? --- Not directly nor indirectly.

Thank you.

CHAIRPERSON: Mr Coulter, paragraph 6.9.4 dealing with the post D342 period, you say that initial uncertainty concerning the implications and application of the circular led to illiquidity - what was it that led to illiquidity? --- There was an uncertainty in the mind, I think primarily, of a number of foreign participants in the rand market as to the implications and application of D342. And this caused them, where there is uncertainty that is another word for heightened risk in their minds, and they withdrew from the market place certainly for a temporary period of time at the very least in order to await further clarification on issues that they had that uncertainty.

50 And then your final sentence in that same paragraph, you say that the adverse effect of the other factors that you mention later was exaggerated by the illiquid trading conditions. Would you like to explain that to us? --- In an illiquid market where the trading spreads have widened, whenever a transaction consequently does go through that market, because of the wider trading spreads the market is inclined to move in a more step wise fashion because there is less participants able to, as I mentioned before, take on an expression of the risk that would be involved in any trading position and so the market moves in a more widely swinging or exaggerated fashion.

55 And then in paragraph 10.2 you attach a research report which we have not had an opportunity to read but is this a report we must assume is the report of JP Morgan or of the author of the report? What value must we attach to this report from your point of view? --- It is a report by an independent public side analyst, however, at the time working as an

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employee of JP Morgan. So this represents the views of the economic analyst that was involved primarily but it is produced obviously under the JP Morgan banner and therefore we would stand behind the comments in the report in that context.

So if we refer to the report, we can refer to any opinions as JP Morgan opinions? ---

5 At the time.

Yes, at the time. Any questions arising out of my questions?

10 MR MARAITIS: My Chairman, if I may, just one question arising from your questions. You mentioned to the chairman that you believe certain foreign participants were uncertain after Circular D342 was released. Do you have a view as to for how long this uncertainty persisted, was it a matter of weeks, days, months? --- The uncertainty directly related to D342, I cannot say how long that was for because subsequent to D342 we had things like the Argentina crisis escalating etcetera and I do not know to what extent just a general risk aversion may have overtaken the specific risk aversion in relation to D342. I cannot determine, you know, just taking those two specific facts which would have applied one with the other but I think it is clear, if you look at certainly the market today, while the market participants and the liquidity in the market have perhaps not got back to where it was pre-October 14th, well certainly we have recovered from the depth of illiquidity that was experienced in the fourth quarter of last year.

20 But is that correct because the Reserve Bank, and this is a point which was taken up with Investec last week Friday, put forward figures of liquidity in the market in February of this year and the market's liquidity in February of this year was R4,8 billion which was some R1,2 billion less than it was in December of last year. So is there a casual connection between liquidity in the market and the rand either appreciating or depreciating. I am just mentioning on that point that the rand actually strengthened in February from the lows of R13,58 in December to R11,40 in a market which was even more illiquid than it was in December? --- The two things, the two issues are, illiquidity and risk aversion or widening of spreads are very often linked but not exclusively so. So it would be, I think maybe we focus on another part of what I mentioned in the statement which is not just illiquidity but a widening of trading spreads. The trading spreads today are still wider than they were pre-October 14th but narrower than they were in November, December last year. Even though you have the statistics obviously, the absolutely liquidity is less, according to what you have just said to me, so I think that would indicate there is still an element of risk aversion or uncertainty in the market place. However I am not ascribing that to D342 at this stage, I think there are some more broad factors including just a general global risk aversion from areas considered to be emerging markets which I think is also affecting that.

35 There are many other factors involved, there is no causal link between D342 and the illiquidity in the market. There is the Argentinean crisis, there are many other factors which you have listed and which you have just mentioned now? --- There are many other factors. I think the uncertainty with D342 was a factor that was mentioned by market participants but it could not be the sole causal link.

Thank you.

CHAIRPERSON: Thank you, Mr Coulter, you may stand down.

NO FURTHER QUESTIONS

MR NAIDU: That concludes the evidence for today.

45 CHAIRPERSON: The Commission will adjourn for one week until 24 April.

PROCEEDINGS ADJOURN: