



South Africa

The rand was first introduced in 1961, coinciding with the establishment of the Republic of South Africa. It replaced the South African pound as the legal tender. Since 1995, after the abolition of the financial rand and capital controls for non-residents, the rand has been freely floating. The South African Reserve Bank (SARB) has, in the past, intervened in the market to accumulate foreign exchange reserves, but these have rarely had an immediate effect on the level of the currency.

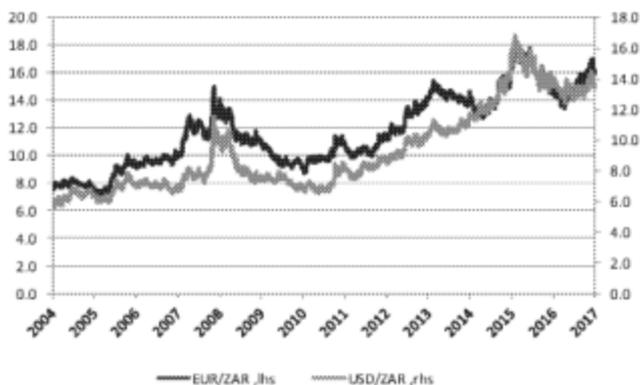
South Africa has followed a strategy of progressively easing exchange controls on capital transactions since 1994. With the abolition of the financial rand in 1995, all exchange controls on non-residents were eliminated. However, only fully registered dealers are allowed to conduct foreign exchange transactions. Non-residents are free to purchase shares, bonds and other assets without restriction and to repatriate dividends, interest receipts, and current and capital profits, as well as the original investment capital. There are residual controls on the actions of residents, but these mostly refer to the lending of rand.

The SARB regards its primary goal in the economic system as "the achievement and maintenance of price stability". The Bank has an inflation target of between 3% - 6%. The Bank transmits its interest-rate policy to the market by providing refinancing to banks at its repurchase rate, which is determined by its Monetary Policy Committee (MPC). The MPC comprises of six members, including the Governor.

In August 2010 the Bank changed its monetary policy implementation framework. Two main changes were announced. Firstly, the Bank introduced measures aimed at streamlining the monetary policy operations by announcing the daily average of the estimated weekly liquidity requirement. In addition, the Bank's refinancing operation only accepts Government and SARB denominated debt as eligible collateral.

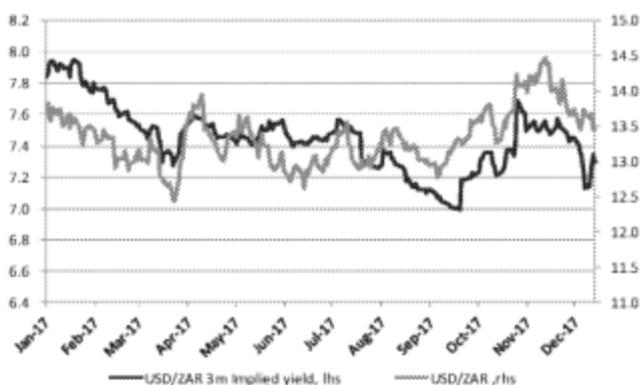
The rand is a fully deliverable and convertible currency, and is most often quoted and traded vs. USD.

USD/ZAR & EUR/ZAR exchange rates



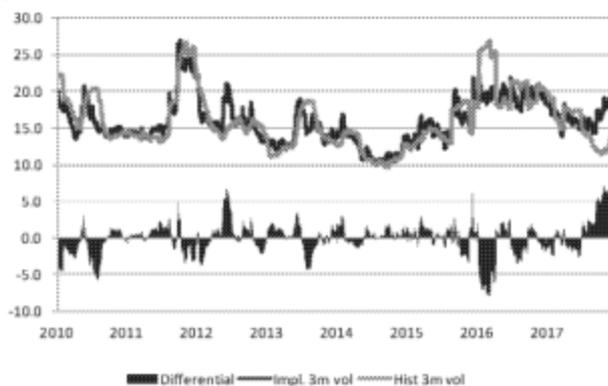
Source: Deutsche Bank, Bloomberg Finance LP

USD/ZAR and ZAR 3M implied yield



Source: Deutsche Bank

USD/ZAR implied and historical volatility



Source: Deutsche Bank, Bloomberg Finance LP