

An institutional comparison of private shareholding in the central banks of South Africa and Turkey

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This paper assesses institutional aspects of private shareholding in the central banks of South Africa and Turkey. It is shown that only a small number of central banks other than the SA Reserve Bank (SARB) in South Africa and Türkiye Cumhuriyet Merkez Bankası (TCMB) in Turkey have any form of private shareholding, although South Africa and Turkey are the only two emerging-market countries with central banks with private shareholding.

A literature review shows that very little has been published on the matter of central banks with shareholders, or the similarities and differences between central banks with shareholders. From a literature review it also transpires that little is published by means of comparison on the administrative, institutional and control structures of central banks. To the contrary, extensive literature has been published on the policy aspects and related decision-making of central banks. This paper contributes to both these aspects: It sheds more light on central banks with shareholders and contributes to the literature on the institutional structures of central banks.

The comparison of the central banks of South Africa (SARB) and Turkey (TCMB) highlights considerable institutional differences between their shareholding governance structures. These differences include aspects such as classes of shareholding in the case of the TCMB and limitations on the rights and powers of shareholders. An overriding conclusion, however, is that shareholders do not have any powers or rights pertaining to monetary policy matters in the case of both central banks.

The paper shows that general conclusions about institutional aspects pertaining to shareholding in central banks with such structures can only be drawn after a detailed analysis and comparison of each of these institutions. The differences between the SARB and the TCMB show that no general conclusions are possible.

Of particular importance is the conclusion that the shareholders of the SARB and the TCMB play no role in the formulation and implementation of monetary policy. The contribution of shareholders is to be found in the important area of central bank governance structures. This important role of the shareholders was re-emphasised recently in legal action brought by the SARB against some of its

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shareholders. In this legal action the SARB made a strong case for continued private shareholding in the central bank.

The experience with the nationalisation of central banks since 1935, with the most-recent nationalisation as recent as 2010, raises the question whether more such action can follow. It is shown that there is some political pressure for the nationalisation of the SARB, although nationalisation is not supported by the current South African government. However, this debate will continue in years to come, probably owing to a mistaken assumption that private shareholders in the SARB can manipulate the institution and its activities to achieve personal benefits. The paper shows that this is not the case.

The fairly recent nationalisation of the National Bank of Austria (the first example of central bank nationalisation in 35 years) has received scant attention in the literature. This is an area for further research. The nationalisation of a number of central banks within a relatively short period in 1974 and 1975 has also not been covered extensively in the literature and is also a topic for further research.