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## STATEMENT TO THE INQUIRY INTO STATE CAPTURE

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I,

**MICHAEL WILLIAM THOMAS BROWN**

state as follows:

### INTRODUCTION

1. I have been requested by the Commission of Inquiry into State Capture to submit a statement regarding the interactions between Nedbank and the Inter-Ministerial Committee ("IMC") (reported in the media at the time as having been established to investigate the decisions of major banks to terminate banking relationships with Gupta owned companies). In addition, I have outlined a meeting I was asked to attend with a number of ANC members at Luthuli House ("ANC Meeting").

### INTERACTIONS BETWEEN NEDBANK AND THE IMC

2. On 4 May 2016 my Executive Personal Assistant, Ms Emma Buckley ("Ms Buckley"), received an email from Ms Zarina Kellerman ("Ms Kellerman"), secretary of the IMC. The email stated that the IMC had been established by Cabinet to *"look into certain allegations made against certain financial institutions"* and that it consisted of the Minister of Mineral Resources, Minister of Finance, Minister of Labour and Minister of Communications. The email requested that I make myself available for a discussion with the IMC on 5 May 2016 and described the purpose of the discussion as being to *"gain clarity on the current media reports and public statements made by Nedbank with regards to the closing of bank accounts and/or termination of relationships"*.
3. Given prior commitments, I was unable to attend on 5 May 2016 and the meeting with Nedbank was rescheduled for 6 May 2016 at 12h00 at the offices of the Minister of Mineral Resources in Pretoria. Ms Buckley confirmed my attendance in an email to Ms Kellerman on 5 May 2016 and requested Ms Kellerman to confirm that the Minister of Mineral Resources, Minister of Finance, Minister of Labour, and Minister of

Communications would be in attendance. Ms Kellerman responded advising that she was unable to confirm exactly which Ministers would be in attendance due to it being an "ad hoc sitting" and provided assurance that "the Committee will be appropriately represented".

#### THE IMC MEETING

4. I attended the meeting with the IMC on 6 May 2016 and was accompanied by the Nedbank Group Chief Legal Counsel, Ms Anna Isaac, and the Group Managing Executive: Retail and Business Banking, Mr Ciko Thomas. Attending on behalf of the IMC was Minister Zwane (who chaired the meeting), Ms Kellerman (who acted as secretary at the meeting, Mr Herbert Mkhize joined the meeting as Minister Oliphant's representative and two other people who joined the meeting, who were not introduced. It was assumed at that time that at least one of them was representing the Minister of Communications. Minister Oliphant and Minister Gordhan were not present. In response to our specific enquiry as to whether there was a quorum of the IMC, we were assured that the IMC was quorate and that Ministers Oliphant and Gordhan were aware of the meeting and they had mandated Minister Zwane to proceed in their absence. I voiced my concern about the Minister of Finance not being present as Nedbank was regulated by the South African Reserve Bank but Minister Zwane assured us that the Minister of Finance was aware of the meeting and that we should continue.
5. On 6 May 2016, after the meeting and on my instructions, my Executive Personal Assistant, sent an email to Ms Kellerman, requesting confirmation of the full names and titles of the persons in attendance on behalf of government. A copy of the request, together with the response received on 9 May 2016 is attached as Annexure "A". In hindsight, the response received from Ms Kellerman was inaccurate insofar as it listed the individuals who attended the meeting. To the best of my knowledge and by way of example, the Ministers of Labour and Communications were not present and neither was Mr Manyi present.
6. My recollection of what was discussed at the abovementioned meeting is as follows:
  - 6.1. Minister Zwane advised that the IMC was required to submit a report to Cabinet by 11 May 2016, and therefore the meeting needed to be held expeditiously. He expressed an appreciation for Nedbank's attendance at the meeting and expressed discontent with any banks that refused to attend, stating that it was concerning that

these banks could undermine Government by refusing to attend such meetings. He asserted that the meeting was confidential in nature. I was under the impression that the meeting was being recorded for transcription purposes.

- 6.2. Minister Zwane explained that the IMC was constituted by Cabinet. At the outset of the meeting, Minister Zwane assured us that the purpose of the meeting (and the IMC) was not to represent any particular family or company, but rather to resolve the apparent issues of investor confidence and reported potential job losses that had emerged as a result of banks closing client accounts, which job losses ostensibly numbered in the thousands. I confirmed that, due to client confidentiality, I was not at liberty to discuss any client specific matters and further that any news reports regarding the termination of banking relationships with any Nedbank clients did not emanate from Nedbank who had maintained strict client confidentiality.
- 6.3. I briefly discussed the regulatory environment in which banks operate and obligations emanating from the Financial Intelligence Centre Act 38 of 2001 (FICA) and, in particular, Guidance Note 3 as well as the risk of non-compliance with regulations. I also briefly discussed the general reasons, risk assessments, and processes followed in terminating any banking relationships. I discussed an extract from the JP Morgan 2015 Chairman's Report, published at the time, in which it was stated that JP Morgan had closed 18 000 client accounts in the year 2015 for reasons associated with their reputation and risk of non-compliance with anti-money laundering legislation. In addition, I requested Ms Anna Isaac to discuss the Standard Bank vs Bredenkamp case ("Bredenkamp case") which she did. I also spoke about the internal approval process we would go through to close any client accounts.
- 6.4. During the meeting, and notwithstanding Minister Zwane's assurances regarding the mandate of the IMC, several questions were posed in relation to the specific circumstances surrounding Nedbank's termination of its relationships with persons and entities related to the Gupta family and questioning the seemingly "unanimous" decision by South African banks to close accounts. We were also questioned about a staff member of Nedbank allegedly talking to another financial institution (a client of Nedbank) on this matter with the intention of discouraging that financial institution from continuing a banking relationship with the Gupta family/ entities. I replied that I did not have knowledge of this but highlighted the relationship between banks and correspondent banks that could possibly have triggered such a conversation.

- 6.5. Minister Zwane, whilst acknowledging that Nedbank was not the primary transactional bank for the various Gupta entities, suggested that Nedbank consider stepping in "to save jobs and to provide an 'amicable solution', considering the relevant family [had] resigned from these companies". I responded that Mr Zwane was asking this question on the assumption that the activities of the said companies had no relevance to our decision to terminate, and I reminded Mr Zwane that we could not discuss client specific matters. I also confirmed that Nedbank had decided to terminate the relevant relationships independently, without reference to (or consultation with) any other bank(s).
- 6.6. Mr Zwane thanked Nedbank for attending the meeting and again commented that he found it surprising that other banks refused to attend the IMC meeting with Government, considering that banks receive their licenses from Government.
- 6.7. It was agreed that the IMC would provide Nedbank with a draft set of minutes of this meeting of 6 May 2016, which it never did.
7. My overall impression was that the purpose of the IMC meeting was to determine: (i) whether there was a co-ordinated decision amongst the major banks in South Africa to terminate banking relationships with the Guptas; and (ii) whether Nedbank would consider banking the "relevant companies" as their primary transactional banker in circumstances where the "relevant family" had resigned.

#### THE ANC MEETING

8. On 20 April 2016, prior to the IMC meeting, I was requested to attend a meeting at Luthuli House. My records show that the invitation came from Gwede Mantashe and Enoch Godongwana. Jesse Duarte was also in attendance.
9. The purpose of the meeting was explained to me as to enable a better understanding of the process banks follow to close client accounts, and I was advised of concerns that had been raised to the ANC from the general population and businesses around the ability of banks to "just close client accounts unilaterally".
10. I explained that banks compete vigorously to attract new customers/clients and grow their businesses, and as such closing client accounts "unilaterally" without good reason

is not a bank's normal course of business. I explained further that the closure of client accounts would only take place when, inter alia, a bank was of the view that the reputational and/or other risks of keeping such client accounts open was too great. As background to this, I highlighted the Bredenkamp case as well as the principles in Guidance Note 3 of the FICA. The meeting closed after these explanations.

### CONCLUSION

11. This statement sets out my recollection of events to the best of my ability in respect of the IMC meeting and the ANC Meeting and Nedbank's respective interactions with the IMC and the ANC. I reserve my right to further clarify or elaborate on any aspect of this statement, should same be necessary.

Signed at SANDTON on 29 AUGUST 2018

  
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Michael William Thomas Brown  
Chief Executive: Nedbank Group

**From:** Zarina Kellerman <Zarina.Kellerman@dmr.gov.za>  
**Sent:** 09 May 2016 12:59 PM  
**To:** Buckley, E. (Emma)  
**Subject:** Re: Inter-Ministerial Committee

**Importance:** High

Hi Emma

Apologies for the delay. The team consisted of the following:-

Minister Faith Muthambi, as well as her advisors Mr Mzwanele Manyi and Mr Sandile Nene  
Minister Mildred Oliphant, as well as her advisors Mr Herbert Mkhize and DDG Mr Virgil Seafeld  
Minister Zwane and his advisor, Adv Zarina Kellerman (as Secretariat)

I trust this is in order.

Sincerely  
Zarina

On 06 May 2016, at 2:19 PM, Buckley, E. (Emma) <[Emmab@Nedbank.co.za](mailto:Emmab@Nedbank.co.za)> wrote:

Hi Zarina,

Please can you email me the full names and titles of government that attended today's meeting.

Thank you.

Kind Regards,

<image001.jpg>

**Emma Buckley**  
Executive Personal Assistant to Mike Brown, Chief Executive | Nedbank Group Limited  
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