



SOUTH AFRICAN RESERVE BANK



Corporation for Deposit Insurance

Launch of South Africa's Deposit Insurance Scheme, the Corporation for Deposit Insurance (CODI)

**Speech by Sabihah Mohamed,
Chief Executive Officer of CODI,
Johannesburg, 25 April 2024**

Minister of Finance Enoch Godongwana;

Governor Lesetja Kganyago;

Deputy Governors;

SARB and CODI board members;

Julia Clare Olima Oyet, the Africa Regional Committee chair of the International Association of Deposit Insurers and CEO of the Uganda Deposit Protection Fund.

Ladies and gentlemen, good afternoon.

On behalf of the CODI team, let me start by extending my heartfelt gratitude to you for joining us in launching this significant milestone.

CODI becoming operational this month, marks the culmination of years of hard work and collaboration with policymakers, lawmakers, regulatory authorities, industry bodies and our member banks. Your support, input and constructive criticism over the past few years have been instrumental in ensuring that we emerge with a deposit insurance scheme that reflects our collective commitment to fortifying the resilience of our financial sector, which is the bedrock of our economy.

CODI has been integrated into our financial sector safety net alongside the Prudential Authority, the SARB as Resolution Authority and lender of last resort, and the Financial Sector Conduct Authority that ensures that financial institutions treat their customers fairly and transparently. CODI's launch will further bolster public trust in the banking sector, which is an important pillar of financial stability.

CODI is also a member of the International Association of Deposit Insurers (IADI), the global standard-setter for deposit insurance schemes which has 98 members.

As many as 40 million people, equating to 84% of our population, hold a bank account, allowing them to actively participate in the economy. Owing to our robust prudential regulation, bank failures are rare in our country, and the notion of a bank failure seems remote for many account holders. However, the bank failures that we have seen affected smaller banks, causing devastation for the most vulnerable members of our society.

You may recall the snaking queues of mostly elderly people, braving the cold and sleeping outside the branches of VBS Mutual Bank when it collapsed in 2018. Forensic investigator Advocate Terry Motau SC described it as 'the Great Bank Heist' in his report into the looting at VBS. His report details the involvement of 53 people and companies that, over a period of three years, received R1.9 billion. The report carefully lists the gratuitous payments and provides details of collusion involving the executive, external auditors and Board of the institution.

Others may still remember the bank failure of Saambou in 2002, when panic-stricken customers withdrew over a R1 billion in two days following speculation that the bank was bankrupt.

Most recently, Habib Overseas Bank was placed under curatorship, affecting just under 3 000 customer accounts.

Globally, we have also seen the failure of larger institutions, including the recent crisis with Swiss lender Credit Suisse and three American banks, serving as a reminder that

unexpected shocks to the system can occur. This is why we have to plan even for such rare occurrences.

CODI is an important tool to help protect the most vulnerable in our society by extending insurance cover to qualifying depositors should their bank be placed into resolution.

CODI operates under what is known as a paybox plus mandate, allowing CODI to provide funding, guarantees or enter into loss-sharing agreements to support various resolution strategies as determined by the Resolution Authority.

As an additional cushion to this financial sector safety net, the implementation of the resolution and deposit insurance framework removes the uncertainty for depositors during these processes. Now, with CODI in place, qualifying depositors (i.e. individuals and non-financial corporate depositors) will be protected up to R100 000 of their balances in accounts in qualifying products in the event of their bank failing.

Most importantly, they will know how much they can expect, and when and how they can access their covered deposits. In the initial stages, CODI will make sure that depositors receive access to their money within 20 days; however, CODI aims to reduce this response rate in line with international best practice.

As we speak, CODI has established the Deposit Insurance Fund, which is supported by, among other finance options, monthly premiums and loan contributions by member banks. Banks' contributions are based on their total covered deposits (i.e. the total amount for which the banks' qualifying depositors are protected by CODI). Should a bank fail, this Fund will be used to protect the covered deposits.

Banks will pay a minimal deposit insurance levy to cover CODI's operational costs. As a subsidiary of the SARB, CODI will receive communications, legal, information technology and financial services support from the central bank.

As the Governor mentioned earlier, the introduction of CODI not only supports the SARB's financial stability mandate, but there are also broader opportunities to diversify our banking landscape.

Today, as we celebrate CODI becoming operational, we are also launching the public awareness campaign in partnership with our member banks. The campaign will promote awareness of the protection and the limitations of depositor protection in South Africa.

In closing, I want to express my heartfelt gratitude to Minister Enoch Godongwana and his team at National Treasury and to all our member banks, regulatory bodies and international institutions that played an invaluable role in getting us to this point, especially the Swiss State Secretariat for Economic Affairs (SECO) and the World Bank for their indispensable support.

To our Governor, Lesetja Kganyago and his team, your steadfast guidance has been immeasurable and we look forward to your continued counsel.

I also extend a warm welcome to our new Deputy Governor Mampho Modise who will oversee CODI. To the CODI Board members, thank you for your dedication and service.

Thank you.