
The Corporation for Deposit Insurance

Information Handbook



SOUTH AFRICAN RESERVE BANK

CODI

Corporation for Deposit Insurance

Contents

1. Introduction.....	4
2. Membership	7
3. Coverage	8
4. Funding.....	16
5. Reimbursement of qualifying depositors	17
6. Provision of information on deposit insurance	18

1

Introduction

The Corporation for Deposit Insurance (CODI) manages the Deposit Insurance Fund (DIF) that will allow for qualifying bank depositors to have access to a specified limit of their covered deposits should their bank fail and be placed into resolution, thereby strengthening public confidence in the country's banking system. CODI is also required to promote awareness among financial customers of the protection it offers.

CODI was established as a legal entity on 24 March 2023 when the Minister of Finance published a commencement schedule for the Financial Sector Laws Amendment Act 23 of 2021 (FSLAA) in a *Government Gazette* notice which set out the implementation dates for the resolution and some deposit insurance provisions in the amended Financial Sector Regulation Act 9 of 2017 (FSR Act).

Although CODI was established as a legal entity on 24 March 2023, it became

fully operational from 1 April 2024 in accordance with a commencement schedule published by the Minister on 25 March 2024, which brings about the implementation of specific provisions of the FSLAA.

The establishment of CODI supports the South African Reserve Bank's (SARB) secondary mandate to protect and enhance financial stability by identifying and lessening systemic risks that might disrupt the financial system. CODI supports the SARB's financial stability mandate by protecting the qualifying depositors of banks in the unlikely event of their bank failing.

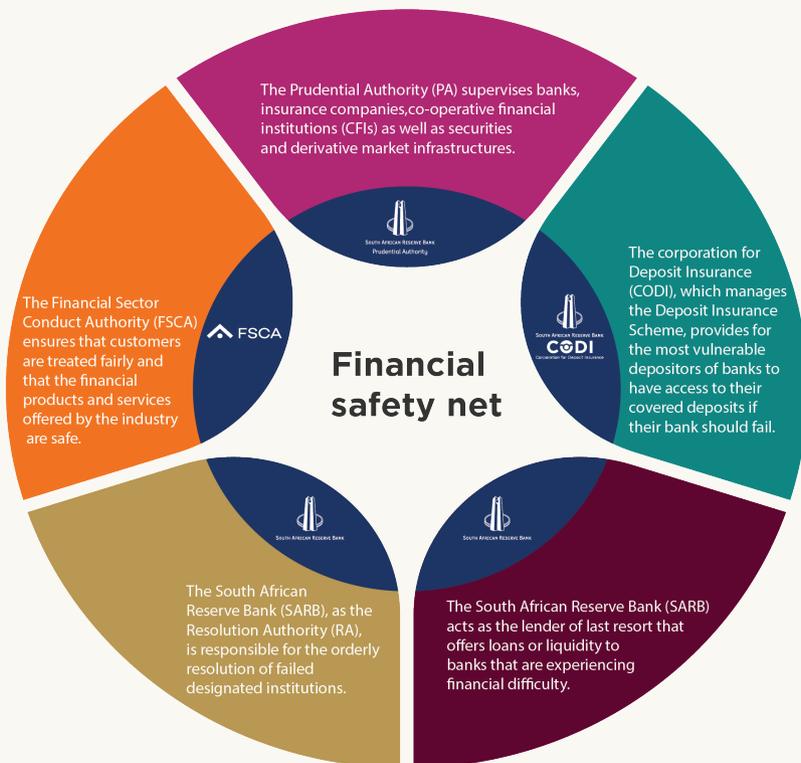
CODI, as South Africa's deposit insurance scheme (DIS), provides a mechanism to ensure a pre-planned, orderly and efficient provision of protection to depositors and, more importantly, depositors will know when they will have access to their deposits at a failed bank.



What is a deposit insurance scheme?

South Africa has one of the world's most resilient financial sectors, overseen by a network of institutions aimed at safeguarding its stability and public confidence, collectively known as the financial sector safety net. This network includes the Prudential Authority (PA) which regulates financial institutions and market infrastructure; the SARB which acts as the lender of last resort, offering loans or liquidity to banks that are experiencing financial difficulty, as well as the Resolution Authority (RA) responsible for the orderly resolution of designated institutions; CODI as the country's DIS which ensures the orderly and timely compensation of covered depositors in the event of a bank failure; and the Financial Sector Conduct Authority (FSCA) which ensures that financial institutions treat their customers fairly and transparently.

A DIS protects qualifying depositors against the loss of their covered deposits with a bank should that bank fail. It contributes to consumer protection. The role of a DIS is to ensure that the cost of a bank failure does not fall unreasonably on the most vulnerable consumers or those that are least able to protect themselves through sophisticated risk management methods, including diversification, hedging or financial structuring.



What is CODI?

CODI is a statutory body established by law (FSR Act) and the newest subsidiary of the SARB. It is an independent legal entity with its own Chief Executive Officer (CEO), Board of Directors (Board) and management team. Because CODI is part of the broader SARB Group, it has governance and reporting obligations to the SARB. CODI's Board is responsible for overseeing its operations.

CODI is South Africa's DIS and manages the DIF. In the event of a bank collapsing, CODI will use the DIF to give qualifying depositors access to their deposits, up to the maximum coverage limit.

CODI is also responsible for ensuring that depositors know about the protection it offers and the benefits and limitations thereof. CODI's member banks – commercial, mutual and co-operative banks as well as local branches of foreign banks – have a legal obligation to assist CODI in making depositors aware of the deposit insurance protection.

For more information on CODI and deposit insurance, refer to CODI's webpage at <http://www.resbank.co.za/codi>.

What are CODI's functions?

In terms of the law, CODI must:

- establish and administer a DIF to protect holders of covered deposits in resolution; and
- make depositors aware of the benefits and limitations of its protection.

What are the benefits of deposit insurance to depositors?

The benefits of deposit insurance for depositors include:

- limiting the scope for discretionary decisions – depositors will know in advance the amount and type of products for which they are protected;
- giving clarity and assurance – qualifying depositors will know when and how CODI will initiate the reimbursement process and the time frame within which this would be done;
- promoting public confidence in South Africa's financial system by protecting depositors against the loss of their deposits;
- helping contain the costs of resolving failed institutions; and
- providing an orderly process for dealing with bank failures.

2

Membership

Which banks are members of CODI?

By law, membership to CODI is automatic and compulsory for all registered banks in South Africa. This includes all commercial banks, local branches of foreign banks, mutual banks and co-operative banks.

How do you identify if a bank is a member of CODI?

CODI has published a list of its members which can be viewed at www.resbank.co.za/codi.

Banks are required to display CODI's membership sign on their selected digital or physical platforms. Please ask your bank for further information.

Are deposits at branches and subsidiaries of domestic banks outside South Africa protected?

No. Deposits at branches and subsidiaries of domestic banks outside South Africa are not protected by CODI, but they may be protected by the host country's DIS.

Are development financial institutions (e.g. the Development Bank of Southern Africa and Land Bank) members of CODI?

No. These institutions are not licensed by the PA; instead, they are public financial institutions and therefore not members of CODI.

Are co-operative financial institutions members of CODI?

Co-operative financial institutions (CFIs) are currently not members of CODI. CODI and the PA are conducting research to determine the inclusion of CFIs as members of CODI.



3 Coverage

Who is protected by CODI?

CODI protects individuals and non-financial businesses who hold accounts where the deposit and accrued interest are guaranteed. Depositors who qualify for deposit insurance protection typically include:

- retail or individual depositors, including minors;
- non-financial corporate depositors, including sole proprietors;
- foreign retail and non-financial corporate depositors;
- charitable or non-profit organisations;
- religious entities;
- trade unions;
- consumer associations; and
- stokvels

Is deposit insurance protection provided to all depositors?

No. CODI does not protect deposits held by government institutions and financial institutions.

Are deposits placed with a member bank by non-residents protected?

Yes. Foreign individuals and foreign non-financial corporates who hold accounts where the nominal balance (deposit and accrued interest) is guaranteed and repayable at par at CODI member banks will qualify for deposit insurance protection.

Are depositors required to apply or register for deposit insurance protection?

No. CODI's protection is automatic; depositors do not have to apply for this protection.

Which banking products are protected by CODI?

CODI protects banking products where the nominal balance (deposit and accrued interest) is guaranteed and repayable at par. Qualifying products include, but are not limited to, the following account types:

- Current accounts
- Transactional accounts
- Savings accounts
- Islamic Wadi'ah products

- Term and notice accounts
- Tax-free savings accounts
- Islamic Qard products
- Islamic Murabaha products

What types of deposits are not protected by CODI?

CODI does not cover:

- deposits by banks;
- deposits by the non-bank private financial sector, including money market unit trusts, non-money market unit trusts, insurers, pension funds, fund managers and other private financial corporate sector institutions;
- deposits by government, including local, provincial and national government, public financial sector entities, the Public Investment Corporation (PIC), the Corporation for Public Deposits (CPD), other public non-financial corporations and monetary authorities;
- bearer instruments;
- accounts where the capital amount is not guaranteed and not repayable at par;
- holdings of commodities; and
- electronic money products.

How would depositors know if their deposits are protected by CODI?

Banks must provide their depositors with information on CODI, including whether they are a qualifying depositor and whether their deposits will be protected or not. Furthermore, banks are obligated to confirm that a product qualifies for depositor protection in the terms and conditions of a qualifying banking product as well as in any newly concluded individual agreements.

In addition, banks' staff must be able to answer depositors' questions on whether they are qualifying depositors or whether their accounts are in qualifying products.

What is the deposit insurance coverage limit?

The limit of cover is the amount to which CODI protects each qualifying depositor's balances in the event of a bank failure. The limit of cover is R100 000 per qualifying depositor per bank.

Why is the coverage limit R100 000?

CODI conducted a deposit insurance survey in 2021 to test the adequacy of the R100 000 coverage limit. The survey found that 95% of qualifying depositors will be fully covered at a R100 000 coverage level, while only 5% of qualifying depositors with deposits above R100 000 will be partially covered in the event of their bank failing.

Being fully covered means that a qualifying depositor has less than or R100 000 in qualifying balances (accounts) at one bank. A partially covered depositor has more than R100 000 in qualifying balances, but CODI only protects them up to R100 000.

CODI considered increasing the coverage limit to R150 000 or R200 000, but the number of depositors that would benefit was marginal. CODI will review the level and scope every five years from its date of operationalisation.

Can I purchase additional protection if my deposit amount is more than R100 000?

No. Qualifying depositors with balances exceeding R100 000 cannot buy additional deposit insurance cover. Should their bank fail and be liquidated, CODI will provide them access up to R100 000 for their covered deposits. Any balance above R100 000 will remain in the estate of the failed bank. Depositors can then make claims for balances exceeding R100 000 from the failed bank's estate, which will be managed by the liquidator.

What if a depositor has several accounts in qualifying products with the same member bank?

CODI provides protection up to R100 000 per qualifying depositor per bank. All accounts in qualifying products held by the same depositor will be added together and protected up to R100 000.

For example, Mrs Thwala has three accounts with Bank A:

- Savings account: R20 000
- Tax-free savings deposits: R35 000
- Transactional accounts: R50 000
- Mrs Thwala's qualifying deposit balance is R105 000.

CODI's protection is up to R100 000 per qualifying depositor per bank. Therefore, if Bank A fails, Mrs Thwala would be covered for R100 000. The R5 000 will remain in the estate of Bank A. Mrs Thwala can make a claim against the estate of the failed bank, which will be managed by the liquidator.

What if a depositor's accounts in a member bank amount to less than the protection limit of R100 000?

The balances in the accounts in qualifying products will be added together and protected up to the actual amount held by the depositor subject to the protection limit of R100 000.

For example, Dineo Vilakazi has four accounts with Bank B:

- Savings account: R20 000
- Tax-free savings deposits: R15 000
- Transactional accounts: R50 000
- Investment account: R40 000
- Dineo Vilakazi's qualifying deposit balance is R85 000.

CODI's protection is up to R100 000 per qualifying depositor per bank. Therefore, if Bank A fails, Dineo Vilakazi would be covered for (R20 000 + R15 000 + R50 000 = R85 000). CODI will not protect Dineo's investment account since the capital amount of the investment account is not guaranteed and not repayable at par.

What if a depositor has foreign currency deposits?

In the case of foreign currency deposits, qualifying depositors with accounts in qualifying products in foreign currencies are covered up to a limit of R100 000 per depositor per bank. If a bank fails, foreign currency balances will be converted to South African rand (ZAR) before a depositor is reimbursed.

For example, Trudy Stewart holds a foreign currency notice deposit with Bank A. Bank A must convert her foreign currency balance to ZAR using close-of-business market exchange rates:

- Trudy Stewart's foreign currency balance in her notice deposit: US\$4 000
- Close-of-business market exchange rate at the reporting date: US\$1 = ZAR19
- Trudy Stewart's account balance in ZAR: US\$4 000 x 19 = R76 000

Therefore, if Bank A fails, Trudy Stewart would be covered for R76 000.

If I have accounts in qualifying products at several member banks, will all my accounts be added together for deposit insurance purposes?

No. Deposits in each member bank are protected separately. The R100 000 coverage limit is applicable per depositor per bank.



For example:

Mr Smith has four accounts with three different banks:	In the unlikely event of a simultaneous failure and liquidation of Bank A, Bank B and Bank C, Mr Smith will be covered as follows:
• Bank A: Savings account – R80 000	• Bank A: R100 000
• Bank A: Transactional account – R40 000	• Bank B: R70 000
• Bank B: Transactional account – R70 000	• Bank C: R100 000
• Bank C: Savings account – R300 000	

Any balances that CODI does not cover will remain in the estate of the respective failed banks. The liquidator will process these balances in line with the creditor hierarchy.

How will CODI treat joint accounts?

A joint account is an account with two or more account holders. In terms of CODI's protection, the balance in a joint account will be divided equally among the account holders, unless the account holders have asked the bank to record a different sharing ratio in its records. CODI will protect the qualifying depositors' balance in the account by considering other accounts they may have at the same bank in the event of their bank failing.

For example, Tshepiso and Lazola have a joint savings account at Bank B with a balance of R180 000.

- They did not ask the bank to record a specific sharing ratio.
- Tshepiso has a cheque account at Bank B with a balance of R20 000.
- CODI will protect them both up to R100 000 if bank B fails.
- Tshepiso and Lazola will each be protected for 50% of the joint savings account balance (i.e. $R180\,000/2 = R90\,000$ each).
- Tshepiso will be protected for another R10 000 for his cheque account balance, to get the maximum protection of R100 000 from CODI.

Do sole proprietors enjoy separate deposit insurance protection?

Yes. If an individual holds accounts in qualifying products in their name as well as business accounts as a non-financial sole proprietor, they will qualify for up to R100 000 for their business accounts and up to R100 000 for their personal accounts.

To ensure separate coverage for a sole proprietor, the bank must be informed about which accounts the qualifying depositor uses for business purposes to report the business and personal accounts separately to CODI.

For example, Mary Moon has the following accounts at Bank D:

- Personal savings account: R20 000.
- Mary also operates two sole proprietorships:
- Mary's Hairdressers with a business savings account (balance R120 000) and a business cheque account (balance R10 000); and
- Mary's Tuckshop with a business cheque account (balance R30 000).
- CODI will cover Mary's Hairdressers and Mary's Tuckshop for their business accounts in qualifying products separately from Mary's personal accounts in qualifying products:
- Mary will be covered for her personal savings account (R20 000);
- Mary's Hairdressers will be covered up to R100 000 for both the savings and cheque accounts; and
- Mary's Tuckshop will be covered for the cheque account (R30 000).

How will CODI treat formal beneficiary accounts?

A formal beneficiary account (FBA) is an account held and managed by a third party for the benefit of one or more beneficiaries. The FBA holder is not the owner of the funds in the account – the underlying depositors are the owners of the funds. The FBA holder is the bank's customer as the account holder. In terms of the Financial Intelligence Centre Act 38 of 2001 (FIC Act), an FBA holder is an accountable institution given the responsibility to maintain formal records of its beneficiaries and their respective balances.

For example, John is a beneficiary to Mila Property Trust held at Bank D. John is entitled to R50 000 in Mila Property's trust account.

- John also has other deposits with Bank D:
- Savings account: R10 000
- Tax-free savings deposits: R35 000

In the unlikely event of Bank D failing, John will receive a payout of R95 000, which includes his portion in the trust account.

Do trust accounts (family trusts/inter vivos trusts/discretionary trusts) enjoy separate deposit insurance protection?

CODI will cover this type of trust up to the R100 000 coverage limit for all accounts held in the trust's name, provided that the accounts are in qualifying products.

For example, Swart Family Trust holds five accounts with Bank B:

- Savings account: R50 000
- Tax-free savings deposits: R15 000
- Transactional accounts: R50 000
- Investment account: R40 000
- Credit card account: R40 000
- Swart Family Trust's qualifying deposit balance is R115 000.

CODI's protection is up to R100 000 per qualifying depositor per bank. Therefore, if Bank B fails, Swart Family Trust would be covered for R100 000. CODI will not protect Swart Family Trust's investment account since the capital amount of the investment account is not guaranteed and not repayable at par. CODI will also not consider Swart Family Trust's positive balance in its credit card account as CODI covers deposits only and positive balances on credit card accounts do not constitute a deposit.

How will CODI treat informal beneficiary accounts and co-operative financial institutions?

Informal beneficiary account (IBA) holders are not accountable institutions in terms of the FIC Act, meaning they do not need to comply with the FIC Act's record-keeping requirements. A stokvel is an example of an IBA. A stokvel opens a stokvel-type of account at a bank and the members of the stokvel appoint signatories to manage the account on their behalf. The stokvel signatories are not accountable institutions in terms of the FIC Act, meaning they do not need to comply with the FIC Act's formal record-keeping requirements. CODI cannot rely on their record-keeping about the members of the stokvel and their holdings in the stokvel.

For example:

- Savings Stokvel has five qualifying accounts with Bank C, each with a balance of R40 000.
- Savings Stokvel's qualifying deposit balance is therefore R200 000.
- CODI will protect Savings Stokvel up to R100 000 for its consolidated account balances from the five qualifying accounts.
- If Bank C fails, CODI will grant the signatories of Savings Stokvel access to the R100 000 for which it is protected.

Similar to stokvels, CFIs are not considered accountable institutions in terms of the FIC Act. CODI will cover a CFI in the same manner as an IBA.

What if a bank as an accountable institution has the details of the members of stokvel?

If a bank acts as an accountable institution for IBAs (such as stokvels) by identifying the members of the stokvel (or CFI) and their balances in the accounts monthly, it can report the members of a stokvel as qualifying depositors who will then be the beneficiaries of the FBA. This will enable CODI to cover every qualifying beneficiary up to R100 000 after considering their other accounts in other qualifying products at the particular bank.

For example, Lungisa is a member of Builders Stokvel. In terms of the records in Bank A, Lungisa is entitled to R5 000 of the qualifying balance in Builders Stokvel's stokvel account.

- Lungisa also has other deposits with Bank A:
- Savings account: R10 000
- Tax-free savings deposits: R35 000

In the unlikely event of Bank A failing, Lungisa will receive a payout of R50 000, which includes his portion in Builders Stokvel.

What happens to covered deposits if two member banks merge or amalgamate?

If a depositor has accounts in qualifying products with two or more member banks that merge or amalgamate prior to the transaction effective date, CODI must cover a qualifying depositor of each affected bank for their covered deposits; or after the transaction effective date, CODI must cover a qualifying depositor of the amalgamated or combined bank for their covered deposits.



4 Funding

How is CODI funded?

CODI established and started building the DIF from financial contributions from member banks. CODI will use the DIF to protect depositors in the event of their bank failing, giving them quick access to their money. The DIF mainly consists of monthly premiums collected from banks, loans provided to CODI in the form of liquidity tier contributions and investment income. CODI also collects annual levies for its operational costs. Any surplus levies must be transferred to the DIF annually.



5

Reimbursement of qualifying depositors

Under what conditions will CODI use the DIF to protect qualifying depositors?

The FSR Act specifies that CODI can only use the DIF to make payments up to R100 000 to a qualifying depositor should their bank fail. CODI can also use the DIF to give depositors access to their funds when the SARB, in its capacity as the RA, decides a bank must be placed in resolution. CODI will use the DIF to reimburse qualifying depositors of a bank in resolution or support a resolution strategy prescribed by the RA, subject to the law.

How and when will reimbursements be made?

CODI will make public announcements to notify depositors on how and when reimbursement of covered deposits will be made. CODI will also use different communications channels, including its webpage, the media and social media channels to inform the general public about the reimbursement process. Depositors are advised to update their banks with their current contact details, such as phone numbers, physical mail address (i.e. P O Box or street address) and email address.

When a bank fails and the RA makes a determination that it must be liquidated, CODI will use the DIF to reimburse the qualifying depositors of the failed bank within 20 days from the date of liquidation.

Do qualifying depositors submit a claim to CODI to receive their reimbursements?

Qualifying depositors do not have to make a claim to receive their reimbursements. CODI will calculate a depositor's covered balance based on the records of the failed bank. Depositors will be able to access their funds at a payout agent bank.

What if I have a dispute against the reimbursed amount?

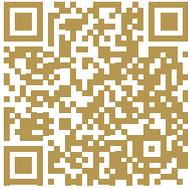
In terms of the law, CODI must make a statement available to a qualifying depositor of a bank in resolution after each reimbursement to them. A qualifying depositor who disagrees with a reimbursed amount may then file a dispute with CODI within three months from the date of reimbursement of their covered deposits.

6

Provision of information on deposit insurance

Where to get more information on CODI

Depositors can access CODI's webpage at www.resbank.co.za/codi or scan the QR code provided below.



CODI publishes the latest information on deposit insurance, including frequently asked questions (FAQs), newsletters, discussion papers and the deposit insurance legislation on its webpage.

Depositors can also access information about deposit insurance from their banks. By law, all registered banks are members of CODI. This includes all commercial banks, local branches of foreign banks, mutual banks and co-operative banks.

CODI has provided its member banks with the information on deposit insurance to make available to their depositors. Your bank will respond to your deposit insurance questions. CODI also welcomes any questions on deposit insurance from the public at CODI@resbank.co.za.

