



SOUTH AFRICAN RESERVE BANK

Corporation for Deposit Insurance

## **Discussion paper**

# **Corporation for Deposit Insurance: Approach to deposit insurance communication and public awareness**

May 2022

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## **Executive summary**

A deposit insurance scheme (DIS) exists to build public confidence in the banking system and contribute to financial stability by protecting depositors from suffering major losses in the event of a bank failure.

The protection that a DIS provides, serves as a stabilising function by reducing the risk of bank runs, especially when depositors are aware that they are covered and believe their deposits, within coverage limits, are safe. Public awareness is therefore an important and necessary component of operationalising a DIS to effectively execute on its mandate as a member of a country's financial safety net.

The International Association for Deposit Insurers' (IADI) Core Principles for Effective Deposit Insurance Systems (Core Principles) and associated guidance provide a roadmap for the design of a DIS' public awareness programme.

The Core Principles stipulate that a deposit insurer must promote public awareness of deposit insurance on an ongoing basis by developing a comprehensive communication programme that covers routine times when there are no bank failures, resolution scenarios when there is a bank failure and an ensuing depositor pay-out, as well as times of severe crises.

The Financial Sector Laws Amendment Act<sup>1</sup> (FSLAA) states that the Corporation for Deposit Insurance (CODI) must promote awareness of the protection it offers to financial customers. Although the primary responsibility for deposit insurance public awareness is placed on CODI, it will, as a subsidiary, collaborate with the South African Reserve Bank (SARB), as well as with other financial safety net participants, member banks and other stakeholders to maximise the success of its deposit insurance awareness initiatives. To fulfil its mandated function of raising awareness, CODI will work closely with the SARB's Communications Division to develop a comprehensive, integrated and long-term public awareness strategy to ensure it maximises the reach of its communication and public awareness initiatives to achieve the targets set by its Board of Directors (Board).

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<sup>1</sup> See clause 166AF of the FSLAA: Objective and functions.

In support of the high-level provision contained in the FSLAA, the detailed rules of how CODI will fulfil this mandated function are contained in this paper and will be included in secondary legislation in the form of standards. CODI will also, from time to time, utilise directives to assist member banks with meeting their public awareness responsibilities. This will ensure that all stakeholders have clarity about the responsibility for and approach to deposit insurance public awareness.<sup>2</sup>

The policy proposals contained in this paper combine country-specific characteristics and applicable international standards, such as the Core Principles and other public awareness guidance issued by the IADI. Extensive research of foreign DIS' public awareness practices has also been undertaken and adjusted for South Africa's unique circumstances. In addition, the policy proposals in this paper have been reviewed by a group of consultants, appointed by the World Bank, to provide guidance and input on the establishment and operationalisation of CODI.

The public awareness proposals will be subject to review at a maximum interval of five years to ensure the latest technological developments, developments in the banking industry, the changing environment and best practices have been considered and incorporated into CODI's public awareness approach.

## **1.1 Policy objective**

CODI's ultimate objective is to protect and enhance financial system stability, working in collaboration with other financial safety net participants, in particular the SARB, in fulfilling its financial stability mandate. To fulfil this policy objective and its mandated functions, CODI will communicate with the public, and specifically qualifying depositors, to make them aware of the protection CODI offers, as well as the limitations of this protection. Public awareness information will include details about the reimbursement processes that CODI would follow if a bank were to be placed into resolution and a payout strategy is followed.

## **1.2 Policy rationale**

CODI will be officially established and become operationalised, based on the Commencement schedule agreed with the Minister of Finance (Minister) following promulgation of the FSLAA in February 2022. Once the provisions relating to CODI's establishment become effective, CODI will become responsible for the fulfilment of its

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<sup>2</sup> For simplicity, in this document all references to public awareness include communication considerations, and vice versa.

mandated function of raising awareness of deposit insurance with the depositors of member banks and other stakeholders.

A high level of public awareness about deposit insurance is critical for a deposit insurer to fulfil its role of contributing to financial stability. This discussion paper considers CODI's approach to achieve a high level of public awareness through collaboration with other financial safety net participants, member banks and other stakeholders. The paper covers the development of an effective public awareness strategy and a discussion of member banks' obligations for public awareness and how compliance will be monitored. The paper sets the tone for CODI's overall communication posture as grounded in principles of diversity and inclusivity, considering South Africa's specific circumstances.

### **1.3 Structure of the paper**

The paper is structured as follows:

- Section 2 provides details of the responsibility for deposit insurance public awareness.
- Section 3 discusses the objectives of deposit insurance awareness.
- Section 4 covers the development of an effective deposit insurance public awareness strategy.
- Section 5 explains the communication languages, methods and materials.
- Section 6 provides detail on the public awareness responsibilities of member banks.
- Sections 7 and 8 deal with implementation and the way forward.

### **1.4 Request for comments**

Comments are invited on the proposals in this paper.

All comments should be sent to [CoDI@resbank.co.za](mailto:CoDI@resbank.co.za) for the attention of the Interim Chief Executive Officer of CODI. The closing date for comments is 24 June 2022.

## **2. Responsibility for deposit insurance public awareness**

According to the IADI, a deposit insurer has to build credibility with the public and other stakeholders through continuous and purposeful communication using a variety of communication tools as part of a comprehensive communication programme.

The FSLAA<sup>3</sup> states that one of CODI's mandated functions includes promoting awareness of the protection it offers. To fulfil this mandated function, CODI must communicate information about the scope of its protection (i.e. its coverage rules and the maximum coverage level), and provide details of its member banks and how the public can identify them. Secondary legislation should also contain provisions aimed at preventing, limiting, or otherwise discouraging banks from leveraging their DIS membership through advertising to attract customers or for competitive advantage.

The following section provides details about CODI's collaboration with the financial sector regulators, member banks and other stakeholders to enhance the reach of deposit insurance public awareness initiatives.

### **2.1 Collaboration with financial safety net participants**

The FSLAA<sup>4</sup> requires the financial sector regulators to comply with reasonable requests from CODI to make standards and issue directives to assist CODI with the fulfilment of its mandated functions. Furthermore, the FSLAA requires these regulators to assist CODI with its public awareness obligations. Collaboration on public awareness activities will form part of the memorandum of understanding between CODI and the financial sector regulators.

Examples of public awareness efforts with the financial regulators may include CODI collaborating with the Prudential Authority and/or the SARB (in the SARB's capacity as the Resolution Authority) on joint public awareness campaigns. CODI may also host, co-host or participate in seminars or workshops for the employees or stakeholders of the other financial safety net participants.

CODI will also work with the Financial Sector Conduct Authority to ensure its public awareness initiatives reinforce consumer protection by educating the public and member banks on the extent of CODI's protection and highlighting the limitations thereof. Although CODI's initial public awareness activities will focus on deposit insurance, it may expand the

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<sup>3</sup> See clause 166AF: Objective and functions.

<sup>4</sup> See clause 166BA: Co-operation and collaboration with financial sector regulators and Reserve Bank.

scope of these activities over time to topics such as promoting safe banking practices through accurate information and financial education. Educating the public will benefit CODI and the financial sector over the long run as well-informed depositors make better financial decisions, especially in times of crisis.

## **2.2 Public awareness obligations of member banks**

CODI will require<sup>5</sup> its member banks to assist with the implementation of public awareness activities as part of a comprehensive communication programme. Member banks work directly with the public and can be an effective channel for increasing deposit insurance awareness and the protection provided by CODI. It is important that the deposit insurance information provided by banks to their customers is consistent and standardised. The proposals contained in this discussion paper, together with the comments received, will be used as the basis for providing guidance to member banks on their public awareness activities. More details about the public awareness activities of member banks are provided in section 6.

## **3. The objectives of deposit insurance awareness**

When communicating and engaging in public awareness activities about deposit insurance, CODI will focus on the following objectives:

### **3.1 Building acceptance**

The acceptance of deposit insurance is important for ongoing support from relevant stakeholders for the establishment and operationalisation of CODI. To build acceptance, CODI will continually provide deposit insurance information to, among others, National Treasury, financial sector regulators, the public, member banks and other stakeholders.

CODI will continue to publish discussion papers with its deposit insurance policy proposals for public comment to provide the rationale for policy decisions. This practice will allow CODI to obtain input from the public, the banking industry and other stakeholders to refine the proposals to cater for South African-specific characteristics.

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<sup>5</sup> Through secondary legislation, directives and guidance notes.

### **3.2 Enhancing stakeholders' awareness and understanding of deposit insurance**

A comprehensive public awareness strategy will be developed for routine times when there are no bank failures, for resolution scenarios when there is a bank failure and an ensuing depositor pay-out, as well as for times of severe crises. The focus will be on communicating and engaging with CODI's stakeholders using suitable communication methods and collaboration opportunities.

Public awareness initiatives will focus on enhancing stakeholders' awareness of deposit insurance, CODI's establishment and the benefits and limitations of the protection it offers. It is important for communication initiatives to be part of a sustained effort and long-term commitment that seeks to expand public awareness on a continuous basis. Communication efforts and target audience engagement will be sustained, ongoing, and adequately staffed with a view to raising the level of public awareness to defined target levels and to build a corporate image of professionalism and efficiency.

### **3.3 Building public confidence in the deposit insurer and banking system**

The public's confidence in CODI as the deposit insurer, and in the South African banking system, is critical to the success of deposit insurance. Ongoing public awareness efforts can contribute to confidence not only in the deposit insurer, but also in the banking and overall financial system of South Africa.

To retain and build the public's confidence in CODI's ability to protect their deposits, it is essential that CODI handles the reimbursement of a failed bank's covered depositors quickly, efficiently and in line with the proposals made in the payout paper.<sup>6</sup>

### **3.4 Reinforcing financial education**

In addition to the core communication objective of raising awareness about the existence and role of deposit insurance in South Africa, CODI may expand its public awareness efforts to include the promotion of financial education more broadly as part of initiatives led by other

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<sup>6</sup> South African Reserve Bank, 'Establishment of the Corporation for Deposit Insurance: Using the deposit insurance fund to reimburse covered depositors', 2021.  
<https://www.resbank.co.za/content/dam/sarb/publications/media-releases/2021/codi-payout-consultation-paper/Discussion%20document%20on%20the%20use%20of%20the%20deposit%20insurance%20fund%20to%20reimburse%20covered%20depositors.pdf>



financial safety net participants. Such initiatives can include educating the public about safe banking practices, personal money management, and the promotion of financial inclusion.

CODI's communication efforts will also be broadened to support its financial safety net partner engagement in areas such as identifying and counteracting financial scams. This will provide an opportunity to build awareness of deposit insurance and position CODI in the minds of consumers as a competent and trustworthy entity, reducing the likelihood of bank runs and reinforcing financial stability.

Discussions with the Financial Sector Conduct Authority and the Financial Intelligence Centre on possible collaboration in these areas are on-going.

**Feedback item 1: The objectives of deposit insurance awareness**

1. Are the objectives of deposit insurance awareness clear?
2. Are there any items that banks and other stakeholders need further information on?

#### **4. Developing a deposit insurance public awareness strategy**

To fulfil CODI's public awareness mandate, the SARB's Communications Division, in collaboration with CODI, will develop a long-term, board-approved strategy for public awareness and communication, covering the following areas:

- existing public awareness levels and the expected impact on these levels if the strategy is executed successfully;
- a detailed implementation plan, covering the types and frequency of the planned public awareness campaigns, and supporting activities, including resources needed and activities to be outsourced;
- an update on the communication plans for different scenarios, including times of crises;
- planned simulations and tests; and
- a detailed budget, covering items such as the cost of campaigns and related activities, public awareness materials and the dissemination thereof, outsourced activities, a call centre, simulations and tests, the maintenance of a website, and expenses for launching CODI to its target audience.

The following sections cover these considerations:

## **4.1 Deposit insurance campaigns**

Any of the communication channels and materials listed in section 5 may be used in targeted deposit insurance campaigns. It is envisaged that regular awareness campaigns, focusing on one or more target audiences, will be conducted. For instance, the scope of the campaigns may be regional, provincial or national, with options to fine-tune audience targeting according to criteria such as age, gender or socio-economic status, providing opportunities to tailor messaging that has a bigger impact and to run more cost-effective campaigns. In campaign design, CODI will consider country-specific characteristics and audience diversity.

### **4.1.1 Target audience considerations**

In developing a public awareness and communication strategy, CODI will categorise its target audience into groups and subgroups and build profiles of each group based on their risk tolerances, perceptions, barriers and other specific considerations.

Public awareness campaigns will consider different actions and adaptations of content and delivery methods to ensure the effective outreach to diverse groups of depositors, including women, rural populations, low education groups, and those with hearing or vision impairments.

Some of the target audiences a DIS typically focuses on include:

#### **4.1.1.1 General public**

The general public will be CODI's principal target audience. In some countries, such as Nigeria, the DIS targets specific subgroups. It may focus, for example, on students by including deposit insurance topics into the educational curriculum, as students are likely to be future depositors and to spread the knowledge thus obtained within their families, thereby reinforcing the public awareness efforts. CODI may follow a similar approach by developing specific awareness and communication strategies for specific subgroups within its principal target audience, based on age, location, language and other characteristics.

#### **4.1.1.2 Member banks**

All banks benefit from a high level of trust and confidence in the banking and financial sector. The establishment of CODI as a financial safety net participant will enhance this confidence and contribute to financial stability in South Africa. It is therefore in the member banks' best interest to cooperate with CODI in making their customers aware of the existence of a DIS

and the protection of their deposits. Member banks will be the primary channel for the dissemination of deposit insurance information to their customers. CODI will guide and assist banks with their public awareness efforts by providing them with communication materials and training to employees who interact with customers daily to ensure that information-sharing is consistent, standardised and accurate. CODI will also engage with senior management and the boards of banks to raise awareness of CODI's role and responsibilities as well as the importance of deposit insurance for financial stability.

At the same time, CODI will prevent member banks from leveraging their membership in the deposit insurance system for advertising purposes to gain a competitive advantage over rivals, as this could have a detrimental impact on depositor confidence and financial stability. To this end CODI will ensure that references in bank-mediated communication are standardised, identical and limited to short factual statements.

#### **4.1.2 Measurement and evaluation**

CODI's public awareness strategy will contain defined and measurable public awareness targets to measure its progress towards increasing deposit insurance awareness levels among the general population and specific subgroups (gender, income, education, geography, etc).

In 2019, CODI appointed a service provider to conduct a public awareness survey. The results of this survey, together with further research, will serve as input into the design stage of CoDI's public awareness strategy and campaigns.

Some foreign DISs have set targets for the optimal level of public awareness to reduce the probability of a bank run. In Canada, for example, an awareness level of between 60% and 65% is considered to be sufficient to reduce the probability of a bank run occurring. In line with international best practice, CODI will monitor the following:

- the public's level of awareness of CODI and its service offerings;
- possible information gaps; and
- the perception the depositors have of CODI.

Since a DIS spends a significant portion of its budget on public awareness efforts, it is critical to ensure that the money is well spend and achieves the intended outcome. A DIS needs to evaluate the effectiveness of its public awareness programme on a regular basis. In line with other DISs, including Canada, Indonesia, Japan, Russia, United Kingdom, United States

and South Korea, CODI needs to evaluate the effectiveness of its awareness strategy and the implementation thereof to enhance its effectiveness over time.

Methods to measure the success of public awareness campaigns include the tracking of mentions across various types of media outlets and platforms, click-through data and other engagement metrics from digital campaigns, tracking reports relating to the dissemination of physical materials such as brochures, focus groups, and polling to gauge levels of public awareness of the existence of CODI and the features of its coverage.

CODI, with the support of the SARB's Communications Division, will provide the Board with updates on the execution of its public awareness strategy and the progress towards the achievement of its public awareness targets. The Board will review CODI's overall public awareness progress annually to ascertain the success of the executed public awareness campaigns in meeting their specific objectives and CODI's overall public awareness objectives.

CODI, with the SARB's Communications Division, will develop an evaluation schedule using different types of surveys<sup>7</sup> to measure the effectiveness of its public awareness activities by considering both output and outcome measures.

- **Output measures:** This may include the number of materials distributed over a specified period, the reach and frequency of press and media coverage, the number of campaigns executed, and participants reached through the campaign.
- **Outcome measures:** These measures determine the impact the public awareness programme has had on the public's perception, satisfaction, attitudes or knowledge of deposit insurance. The results of the 2019 public awareness survey will serve as a base level of the public's awareness of bank failures and the consequences of these failures. Future surveys will determine if CODI's public awareness efforts successfully impacted depositors' knowledge and awareness of deposit insurance.

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<sup>7</sup> Surveys such as longitudinal and periodic surveys. Longitudinal surveys focus on changes in a specified target group over a specific period of time. The outcome of a longitudinal survey is used to either redesign or improve future public awareness campaigns. Periodic surveys are typically used with large populations to monitor and evaluate the effectiveness of a programme. They are time-consuming and usually outsourced to professional firms.

### **4.1.3 Communication plans for different scenarios**

A public awareness strategy will not only cover business-as-usual communication and awareness building, but must include scenario-specific communication plans, such as for the transition to limited coverage, cross-border issues, the failure of one or more member banks, as well as bank runs and other events of consequence to financial stability, broadly defined as crisis communication.

#### **4.1.3.1 Business-as-usual communications**

CODI's communication initiatives during business-as-usual times will centre on efforts meant to achieve target levels of public awareness, primarily in the areas of coverage, scope, limitations and CODI's mandate. Supplementary objectives of business-as-usual communication may include financial education more broadly, consumer protection, supporting financial inclusion, and corporate reputation building.

#### **4.1.3.2 Transitioning to limited coverage**

The promulgation of the FSLAA and the subsequent establishment of CODI will be a transition for South Africa from an implicit to an explicit deposit insurance framework. Although with VBS Mutual Bank, the latest bank failure in South Africa, the protection of depositors was limited to R100 000, the perception among the public may be that the current implicit framework has unlimited coverage for the depositors of a failed bank. The establishment of a deposit insurance scheme, with its limited coverage level and rules, will require CODI to manage expectations by creating an understanding and acceptance by depositors.

To facilitate this, the SARB Communication team and CODI will develop a communication and awareness plan focusing on providing accurate information to member banks, depositors and the public on deposit insurance, the coverage level, coverage benefits, limitations and the implications thereof. CODI will communicate details on the implementation schedule, including the date by when the transition to limited coverage will be finalised, and any modifications to the schedule.

#### **4.1.3.3 Addressing bank runs**

The deposit insurance public awareness strategy needs to include communication plans to effectively use the media to disseminate positive messages and accurate information to the public when one or more banks experience a bank run. It needs to ensure that such

communication initiatives, including associated content and channels, can be rapidly deployed and reach a broad audience to ease public anxiety. Communication in the context of bank runs, which also aims to prevent contagion, will require close collaboration between the Communication Division in the SARB, CODI and the other financial safety net participants, including National Treasury, the Prudential Authority and the SARB in its capacity as the Resolution Authority.

#### **4.1.3.4 Failure of one or more member banks**

CODI's public awareness and communication responsibilities will intensify once a bank has been placed in resolution and a payout strategy is followed. A detailed crisis communication plan<sup>8</sup> should provide for continuous communication with the qualifying depositors and other stakeholders of the bank in resolution, using a range of communication channels. A specific scenario that needs to be provided for, in both crisis management and communication plans, is the possible simultaneous failure and payout of multiple member banks. The development of these plans will require coordination with other financial safety net participants to address all the aspects of the banks' failure.

Once a bank has been placed into resolution and the decision has been made that a payout strategy will be followed, an announcement about this will be made. Official statements through relevant communication channels will be made, to maintain the public's confidence and to inform the depositors of the failed bank about the procedures to be followed for reimbursement. The SARB website will contain a page for deposit insurance (CODI's website) with a 'payout version' where payout-specific information will be provided to all stakeholders. This version of the website will be interactive, providing covered depositors with a facility to nominate an alternative bank account for payout and for CODI to collect information from the formal beneficiary account holders to facilitate payout. A variety of communication channels can be used simultaneously, including television, newspapers, radio, the failed bank's website, digital media channels, personal phone messages and official letters to the depositors of the failed bank. Similar to Hungary's National Deposit Insurance Fund, CODI will send out questionnaires to affected depositors of a failed bank during and after a payout to survey their experience and how it can be improved.

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<sup>8</sup> The strategy will be supported by a detailed crisis contingency plan focusing on the operational aspects of a payout scenario.

#### **4.1.3.5 Communicating during crises and other events of potential consequence to financial stability**

The deposit insurance public awareness strategy will also include the formulation of crisis communication plans as part of CODI's broader crisis management framework. This includes communicating in the context of events such as natural disasters that may have an implication on business continuity and may require messaging to depositors reassuring them of uninterrupted coverage.

There may be times where major disruptive events unfold that may be of consequence to financial system stability, such as social or political upheaval, sovereign debt or currency crises, or widely publicised cyberattacks or breaches targeting banks or financial safety net participants that may shake the public's confidence in the financial system. While such events may not directly relate to the provision of deposit insurance, they could have the knock-on effect of undermining confidence in CODI's ability to execute on its coverage mandate. Accordingly, the deposit insurance public awareness strategy should identify what communications posture the SARB and CODI would adopt should such events materialise.

Communication in the context of major disruptive events with an implication for financial stability would be carried out in close coordination with other financial safety net participants and other relevant organs.

#### **4.1.4 Testing CODI's contingency and communication plans**

Regular scenario tests, simulations and other testing of the components of CODI's contingency and communication plans will be conducted regularly, in collaboration with the SARB Communication team, to identify potential weaknesses, address them and enhance the effectiveness of these plans. Testing and simulations may involve different stakeholders, including member banks and financial sector regulators, to test the governance and other processes between the relevant parties.

##### **Feedback item 2: Developing an effective deposit insurance public awareness strategy**

1. Are there any aspects of the development of an effective deposit insurance public awareness strategy that the CODI team needs to consider going forward?
2. Are there any items that banks and other stakeholders need further information on?

## **5. Communication using diverse content and channels**

Public awareness initiatives must be designed in a way that considers the communication needs of a diverse audience with country-specific characteristics. CODI will communicate using thoughtfully prepared content in multiple languages, drafted and structured in a way that effectively reaches less sophisticated depositors, while selecting channels and tools that ensure the effective outreach to an array of target groups, including marginalised communities and those with visual or hearing impairments. DISs worldwide have taken steps in this regard, with examples including website design with features that make content more accessible to individuals with visual impairments.

### **5.1 Language of correspondence**

In response to a question in the coverage and reporting rules discussion paper published in April 2020 (coverage paper), banks indicated that, as a general rule, they only communicate with their customers in English. However, it is important that deposit insurance material is available to depositors in their preferred language to enable a better understanding of the message thereof. Deposit insurance brochures and materials and payout information will be made available by CODI in all the official languages of South Africa as far as is practically possible.

### **5.2 Communication channels and materials**

CODI's public awareness strategy must provide for a variety of communication channels and materials to enhance penetration across the different segments of the target audiences. Cost-effective and efficient communication channels, with a wide but targeted reach, will assist CODI to achieve its public awareness targets. With a view to inclusive communication, CODI will draw on methods and technologies that allow for effective outreach to an array of diverse depositors, including those with special needs or disabilities.

#### **5.2.1 Mass media**

The media will be an important channel to promote the newly established DIS. Although the use of mass media outlets (newspapers, television, radio, digital media and magazines) for public awareness may be expensive, it will reach large numbers of people. The SARB Communications team's long-standing and strong relationship with the media will be leveraged to enhance public awareness of deposit insurance.



## **5.2.2 Telephone helpline**

CODI will have a dedicated toll-free telephone helpline for the public to use when they have specific queries on deposit insurance. CODI's staff will handle these calls during business-as-usual times and it may consider interactive voice responses in multiple languages 24 hours per day.

A call centre provider will be appointed to ensure that CODI has call centre facilities that can be activated to handle calls from the public during a bank failure when a payout takes place. The call centre may cater for depositors to request assistance in any of the official South African languages, to ensure that they are answered in the language of their choice. Training will be provided to the call centre staff and regular tests will be conducted to ensure the call centre has the required functionality to assist during a payout scenario.

## **5.2.3 Digital channels**

There are a number of digital channels that could be used for public awareness, ranging from the CODI website, a cellular phone application, and social media channels.

### **5.2.3.1 Website**

According to the IADI, more than 80% of deposit insurers have a website and make use of digital channels for public awareness and communication. CODI's page on the SARB website will serve multiple purposes, ranging from disseminating general deposit insurance information, to getting and handling online feedback and queries from its target audiences and fulfilling legislative publication requirements. The webpage will be a cost-effective channel for educating the public by providing videos (with subtitles in different languages) and downloadable material in different languages. Hungary's National Deposit Insurance Fund has an e-learning facility for educating the employees of member banks, which may be considered by CODI.

Similar to other deposit insurers, such as Hungary's National Deposit Insurance Fund mentioned above, CODI will also develop a payout section on its website which will be prepared in advance and activated when a bank fails and payout commences. This version of the website will contain details focusing on the payout processes and timelines. It will also require a link to a portal where formal beneficiary account holders can submit the required information on the beneficiaries to these accounts, and where the covered depositors of a failed bank can nominate an alternative account for CODI to pay their covered balance into.

### **5.2.3.2 Social media channels and digital advertising**

Deposit insurers also use digital advertising to promote their brand and their service offerings in a cost-effective manner. Building deposit insurance awareness through the SARB's social media channels, profile and subscribers will be a long-term endeavour and may require the use of special campaigns and initiatives to incentivise people to become subscribers or followers of the SARB and CODI.

During a bank failure, the SARB Communication team can use social media to update the covered depositors of the failed bank about the reimbursement process. Also, during a crisis, the embedded message features of some of these channels (e.g. Facebook, Twitter and LinkedIn) could be used to reply to questions from the public, thereby alleviating traffic from the call centre.

### **5.2.4 Lectures and seminars**

Lectures and seminars can be used to spread awareness on deposit insurance in general and CODI specifically. They allow for the content to be customised to the audience and are effective with professional audiences, member banks' employees and students. CODI may consider arrangements with schools and universities, directly or through the education authorities, for them to deliver materials, including video sessions, thus reaching a wide section of the population.

### **5.2.5 Printed materials**

A variety of printed products containing information on deposit insurance could be distributed to the public. This includes the CODI annual report, consumer or industry newsletters and brochures with frequently asked questions (FAQs) about deposit insurance. Different types of materials are better suited to specific target audiences. For example, the CODI annual report, discussion papers and industry newsletters may contain technical deposit insurance information and would be more suitable for professional audiences. Consumer newsletters and brochures are often more focused on the general public, with the writing style catering for different financial literacy levels. One of the advantages of these materials is that member banks can be used to distribute the material to their customers.

CODI will cooperate with the Financial Sector Conduct Authority to finalise the content of deposit insurance training materials before making them available. Despite the advantages related to printed materials, CODI understands that they can be costly and raise environmental concerns. In that sense, CODI will strive to implement 'green' practices,

prioritising electronic means of communication and limiting the use of printed materials to the minimum required for CODI to achieve its public awareness objectives.

### **5.2.6 Signs and logos**

Most DISs use membership signs (signs) and logos as an inexpensive communication tool. With the assistance of the SARB Communication team, a CODI logo and sign will be designed. The CODI logo, a co-brand with the SARB, will identify CODI as a subsidiary of the SARB and will be used on all CODI correspondence, letter heads and staff business cards. The CODI sign<sup>9</sup> will serve as a seal of trust for use by member banks.

#### **Feedback item 3: Communication through different languages, channels and communication materials**

1. Are there any other issues relating to communication languages, channels and communication materials that the CODI team did not consider?
2. Are there any items that banks or other stakeholders need further information on?

## **6. Member banks' responsibility for deposit insurance public awareness**

The following section deals with IADI's requirements in terms of a DIS collaborating with its member banks on deposit insurance public awareness responsibilities and CODI's approach in this regard.

### **6.1 IADI's Core Principles**

IADI's Core Principles state clearly that a deposit insurer should work closely with its member banks to ensure the consistency and accuracy of information provided to depositors. Deposit insurers also need to maximise awareness on an ongoing basis. The Core Principles stipulate that member banks' responsibility for public awareness needs to be included in law or regulation. CODI intends to include member banks' responsibilities for public awareness in secondary legislation (standards) at a high level, and expand further in directives over time.

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<sup>9</sup> Detail on CODI's membership sign and its use will be discussed with the banks.

## 6.2 CODI's approach

Member banks will assist CODI with deposit insurance communication and public awareness. Raising awareness with depositors of their qualifying products and the protection provided by CODI will be in the best interest of the member banks. CODI will provide guidance to member banks on their public awareness responsibilities, to make their depositors aware of the benefits and limitations of deposit insurance. Member banks may deploy the appropriate vehicles and channels, in both electronic and physical format, to communicate their membership of CODI to their depositors. These vehicles and channels could include displaying CODI's membership sign on banks' websites, electronic and printed bank statements, printed deposit insurance brochures, ATM's, and in their branches and places of business. Such a standardised membership sign and wording will be provided to banks by CODI in digital and printed versions. When member banks market or advertise a deposit product that is covered by the DIS in their digital, televised or printed advertisements, they may show the CODI logo and/or state that the specific product is covered. Banks also need to inform new depositors/clients of the protection provided by CODI, and update the terms and conditions of their deposit products to indicate whether they qualify for deposit insurance.

## 6.3 Product registers

In the deposit insurance coverage discussion paper published by CODI for comment, it was stated that banks will need to submit details of current and future product offerings to qualifying depositors to CODI. CODI will then indicate whether a product qualifies for deposit insurance coverage, or not. A product register template will be provided by CODI for this purpose. Qualifying depositor products, with the member bank's name and product code, will be added to CODI's register of member banks and their qualifying products. This register will be published on CODI's website for the public to be able to verify that a bank is a member of CODI and to check the qualification status of a particular product offered by the member bank.

### **Feedback item 4: Product register**

In response to the recent deposit insurance survey, banks questioned the level of information that would need to be submitted to CODI for the product register. Some banks indicated that they have hundreds of qualifying products that would need to be submitted to CODI.

When a bank fails, CODI will need the information about the terms and conditions of the qualifying products offered by the bank at a product level to ensure it adheres to the interest and other conditions applicable to the specific product when reimbursing qualifying depositors. The product register proposal was aimed at ensuring CODI has this information available at all times and do not need to struggle to collect it when the bank nears resolution.

1. Considering the product register proposals, which is needed for banks' reporting to CODI, would it be better to consider product register information at a product category level for reporting purposes? For example, instead of providing product information at a product level, banks could provide information at a product category level. Instead of providing details about the five different savings products offered by the bank to qualifying depositors, the bank could just submit details on the savings product category.
2. For CODI to have access to the terms and conditions applicable to products (not product categories) when the bank is placed into resolution, is there a different mechanism the CODI team can consider to obtain this information during normal times instead of CODI only getting access to it closer to the bank's placement in resolution?
3. Are there any other comments on the purpose and use of the product register?

#### **6.4 Guidelines to assess the effectiveness of public awareness**

CODI will also develop guidelines to assess the effectiveness of and compliance with banks' public awareness and communication responsibilities, and a framework for self-assessment or an independent assessment by the bank's internal audit function. CODI will be available on a continuous basis for discussions with banks on their public awareness efforts. Non-compliance by banks will be followed up in writing and penalties might be imposed if the non-compliance is not addressed adequately or timeously. CODI will also inform the Prudential Authority of any non-compliance by a member bank.

## **6.5 Communication requirements for mergers, acquisitions, the sale and transfer of deposit book and changes in the status of member banks**

In the event of a merger, acquisition, or the sale and transfer of a bank's deposit book, the affected member banks must inform their depositors, at least 90 days before the implementation of the effective or official date of the transaction. When the Resolution Authority facilitates the acquisition of a bank in resolution by another bank, or the sale of a deposit book, a shorter time for informing the affected qualifying depositors will be allowed.

Following any merger, acquisition, or sale and transfer of a deposit book, facilitated by the Resolution Authority or not, the qualifying depositors will be allowed, for a period of 90 days, to withdraw or transfer their qualifying products to another bank without incurring any penalties. The depositors of the affected banks must also be informed about the double coverage rules applicable to mergers and acquisitions.

The same principle applies when a local branch converts to a subsidiary, or a subsidiary becomes a local branch. In addition to informing the affected depositors at least 90 days before the effective date of the conversion, the qualifying depositors must be allowed to withdraw or transfer their qualifying products to another bank during this time without incurring any penalties.

Should a bank decide to close its doors in South Africa and hand back its licence, it needs to inform its depositors at least 90 days before the estimated date of its closure. The qualifying depositors must be allowed to withdraw or transfer their qualifying products to another bank during this period without incurring any penalties.

### **Feedback item 5: Public awareness responsibilities of member banks**

1. Are there any aspects of the public awareness responsibilities on member banks that banks need further information or clarification on?
2. Are the public awareness responsibilities of member banks clear?
3. Are there any other items that banks need further information on?

## **7. Implementation plan**

Comments on this paper will be discussed with member banks bilaterally and through the Banking Association of South Africa's (BASA) Deposit Insurance Scheme task group. An implementation plan will be communicated to member banks once the commencement schedule for operationalising CODI has been published.

## **8. The way forward**

Comments on the proposals in this discussion paper should be received by 24 June 2022. All comments should be sent via email to [CoDI@resbank.co.za](mailto:CoDI@resbank.co.za), for the attention of the Interim Chief Executive Officer of CODI.

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## Definitions

Term	Meaning
covered deposit	The balance CODI will pay to qualifying depositor after applying the maximum coverage level of R100 000 to their qualifying balance.
electronic business site	Website or electronic site used by a member bank for business purposes and by persons to make deposits or to transact without assistance from a representative of the member bank. It includes automated teller machines.
financial sector regulators	The financial sector regulators mean the Prudential Authority, the Financial Sector Conduct Authority, the National Credit Regulator and the Financial Intelligence Centre as defined in the Financial Sector Regulation Act 9 of 2017.
member bank	A bank as defined in the Banks Act 94 of 1990, a branch as defined in the Banks Act, a mutual bank as defined in the Mutual Banks Act 124 of 1993 and a co-operative bank as defined in the Co-operative Banks Act 40 of 2007.
place of business	Any physical location in South Africa where the member bank conducts business and where a person can make a deposit or transact with the assistance of a representative of the member bank. It excludes automated teller machines.
qualifying deposit(or)	<p>Qualifying depositors are depositors that meet the requirements of a qualifying deposit in the FSLAB, which is a deposit with a bank, other than:</p> <ul style="list-style-type: none"> <li>a. a deposit evidenced by a bearer deposit instrument; or</li> <li>b. a deposit where the depositor holds the deposit in the capacity of:</li> </ul>

	<ul style="list-style-type: none"> <li>• a financial institution, excluding a financial institution that is a co-operative financial institution as defined in section 1(1) of the Co-operative Banks Act;</li> <li>• the national government, provincial government, local government or an organ of state;</li> <li>• an entity listed in schedule 2 of the Public Finance Management Act 1 of 1999;</li> <li>• the Corporation for Public Deposits established by section 2 of the Corporation for Public Deposits Act 46 of 1984; or</li> <li>• the Public Investment Corporation established by section 2 of the Public Investment Corporation Act 23 of 2004.</li> </ul>
qualifying balances	The total of all qualifying balances for an individual depositor or for an informal beneficiary account holder before applying the coverage level.

## Abbreviations

app	application
ATM	automated teller machine
BASA	Banking Association of South Africa
Board	Board of Directors
CoDI	Corporation for Deposit Insurance
CoDI's website	CoDI's area on the SARB's website
Core Principles	Core Principles for Effective Deposit Insurance Systems
Coverage paper	Coverage and reporting rules for deposit insurance in South Africa
DIS	deposit insurance scheme
FSLAB	Financial Sector Laws Amendment Bill
IADI	International Association for Deposit Insurers
Sign	CoDI's membership sign
SARB	South African Reserve Bank