



South African Reserve Bank

Issued by the South African Reserve Bank

Media statement, 9 July 2018: VBS Mutual Bank

On 11 March 2018 the Minister of Finance, upon recommendation from the then Registrar of Banks, placed VBS Mutual Bank (VBS) under curatorship. On that date, the South African Reserve Bank (SARB) announced that all retail deposits up to an amount of R50 000 per retail depositor would be guaranteed by government. However, to manage the severe cash constraint at the mutual bank, daily limits were placed on how much depositors could access.

Today, we are pleased to announce mechanisms to repay qualifying VBS retail depositors.

Following discussions with National Treasury, government has provided a guarantee to the SARB to facilitate the repayment of all retail deposits up to R100 000 per retail depositor, starting from Friday, 13 July 2018. Retail deposits are defined as deposits in VBS by individuals, burial societies, *stokvels* and savings clubs, collectively referred to as retail depositors. The guarantee does not cover municipal or corporate deposits.

After considering several options, and based on specific criteria for how we could give retail depositors access to their funds, we have decided to use Nedbank to facilitate the repayment of retail depositors. The criteria for selecting a repayment medium included proximity to depositors, cost structure, speed of execution, the complexity of having multiple mediums as well as the advice provided by the Curator of VBS. We also looked for a pay-out institution that specifically provides similar types of products as VBS offered to its customers, in case VBS clients should choose to leave their deposits with the pay-out institution.

How do VBS Retail Depositors Access their Funds

The process by which retail depositors may gain access to their funds will commence on Friday, 13 July 2018 and will run as follows:

1. Retail depositors can visit any Nedbank branch from 13 July 2018.
2. Retail depositors will need to present their South African identity document or another accepted form of identification (e.g. South African passport) and proof of address. Nedbank will also use a biometric system which is linked to the Department of Home Affairs to verify retail depositors' identities.
3. Retail depositors will be asked to sign an agreement ceding their rights to their claim in VBS to the SARB up to an amount of R100 000 of their deposit. This is to make sure that depositors understand that, once they receive their deposits back through Nedbank, they no longer have a claim on the same deposit that they had with VBS.
4. Nedbank will open an account for each person or party and load this account with a balance equivalent to the amount of the guaranteed deposit at VBS. Each individual account holder will be issued with a new bank card. *Stokvels*, burial societies and savings clubs will not be issued with cards and will have to transact at Nedbank branches.
5. Retail depositors will have three years to claim their deposits.

Retail depositors will be able to access their money from 13 July 2018 onwards. The R1 000 a day limitation will no longer apply as it did at VBS. Once retail depositors have obtained their new

Nedbank cards, they can choose to either leave their money in their new Nedbank account, withdraw all or part of the funds at any ATM or Nedbank branch, or move the money to another bank account with any bank in South Africa. In addition, retail depositors may use their new Nedbank cards to make payments at any retail store.

Retail depositors' funds in their new Nedbank accounts will be secure and accessible for up to three years, and there should be no rush for people to withdraw their funds. We appeal that patience be exercised as the infrastructure at Nedbank branches in Limpopo will be under pressure if everyone attempts to access their funds on the first day. Even though retail depositors will have access to their full balances, for security reasons, retail depositors are advised not to withdraw large amounts in cash but rather to keep their money in their new Nedbank account or transfer it to another bank.

To facilitate the smooth transfer of personal and account data from VBS to Nedbank, VBS branches will not be able to provide cash withdrawal services from start of business on Tuesday, 10 July 2018 onwards. VBS branches will remain open for queries, client education and loan repayments. Retail depositors will, however, not be able to access their funds, not even the daily R1 000 per individual and *stokvel*, and R7 000 per burial, as is presently the position.

Retail depositors or account holders who have more than R100 000 deposited in VBS will only be able to access their deposits up to R100 000 through their new Nedbank accounts. The amounts in excess of R100 000 will remain as deposits in VBS. These deposits will remain valid and depositors may receive a portion of their amounts above R100 000 in future, depending on successes in recovering loans and other assets due to VBS. This is, however, not certain nor guaranteed.

It is estimated that about 97% of the 22 700 VBS retail depositors will receive all of their money. We are mindful that some retail depositors have larger amounts deposited in VBS. Together with the Curator, the SARB and Prudential Authority will continue to work towards recovering as much money owed to VBS as possible.

Municipalities, larger businesses and other corporate depositors will not receive any of their funds at this stage as these are not guaranteed, but will retain their deposits in VBS.

As the curatorship continues, the emphasis will shift to recovering monies owed to VBS. We urge all customers who have loans with VBS to continue paying their loans as they are still legally obliged to do so. People may face penalties and other sanctions if they fail to repay monies owed to VBS. VBS customers are requested to continue using VBS infrastructure and branches to repay their loans.

Forensic Investigation

There has been extensive media coverage around VBS in recent weeks. In this respect, we wish to state the following:

1. The forensic investigation led by Advocate Terry Motau, SC into possible fraud and malfeasance at VBS is still in progress. We expect the investigation to be completed by late August or early September 2018.
2. Initial findings of the investigation were made available to the Curator by the SARB. The Curator has used these preliminary findings from the investigation to launch urgent applications to take steps to recover monies owed to VBS. This took place on Friday, 6 July 2018. This was a necessary action required by the Curator to prevent the dissipation of assets belonging to VBS.
3. At a suitable time, evidence documented by the investigator will be handed over to law enforcement authorities and the South African Revenue Service.

In the opinion of the Curator, the 2017 financial statements of VBS did not present an accurate account of the mutual bank's financial position and are thus being restated. This process is likely to take a few more months. Only once this process has been completed can a definitive assessment be made about VBS's true financial position and the future of the mutual bank. Similarly, until these

financial statements have been re-issued, it is difficult to assess the amount of monies that may be recovered and what proportion of other depositors' funds is likely to be recovered.

The SARB would like to thank the Curator for his work so far. This has been a difficult curatorship and the announcement today detailing the mechanisms to repay retail depositors will make his work easier, though his work continues. The SARB would also like to thank Nedbank for agreeing to partner with the SARB to facilitate the return of retail depositors' funds. The repayment of retail depositors will go some way to ease the hardships suffered by many people over the past four months.

We thank affected stakeholders for their cooperation and patience with the curatorship and we call on clients of VBS to remain patient. We would like to stress that retail depositors will have access to all their funds at Nedbank branches up to a limit of R100 000 per retail depositor, starting from Friday, 13 July 2018. We appeal to people not to all rush at once to claim their funds as their funds are secure.

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