



Project for the establishment of the Corporation for Deposit Insurance



SOUTH AFRICAN RESERVE BANK

From the CEO's desk

During the past year, the Corporation for Deposit Insurance (CoDI) has made significant progress with the development of a deposit insurance scheme (DIS) for South Africa, in consultation with the World Bank and the banking sector. By protecting the covered deposits in all banks, the DIS can also contribute to the development of a less concentrated banking sector while supporting financial inclusion and transformation of the sector.

In this newsletter, you will find an update on progress in the three main areas of focus for the establishment of CoDI:

- the development of a legislative framework;
- the establishment of CoDI as a subsidiary of the South African Reserve Bank (SARB); and
- the development of an information technology (IT) system for CoDI.

I am glad to say that the establishment of an explicit, banking sector-funded DIS for South Africa, providing protection to less financially sophisticated depositors in the event of a bank failure, is progressing well. This newsletter shares more information on CoDI, and your questions and comments are welcome.

Dr Hendrik Nel

The development of a legislative framework

The CoDI team has participated in the development of a legislative framework. The Financial Sector Laws Amendment Bill (FSLAB) has been approved by Parliament with concurrence from the Select Committee on Finance of the National Council of Provinces. The final step before promulgation is assent by the President.

National Treasury has published the draft Financial Sector and Deposit Insurance Levies Bills and associated administration for comment by 7 February 2022. [Click here](#) for more information.

The development of an IT solution for CoDI

The CoDI team, with support from the SARB, has focused on the development of a technology solution for data collection, data processing and the payout of covered depositors.

The CoDI technology project team has defined the business architecture and business requirements specification as a first step, and then turned its attention to the publication of a request for proposal for the appointment of a vendor to develop an information and communication technology solution.

The establishment of CoDI as a SARB subsidiary

CoDI will be officially established as a wholly owned subsidiary of the SARB upon promulgation of the FSLAB. In preparation, the staffing of CoDI with suitably skilled resources is a top priority.

The CoDI Interim Board of Directors (Board), which had its inaugural meeting in early December 2021, will become the official Board on promulgation. An income tax concession and zero-rating for value-added tax for CoDI is under negotiation with National Treasury. The project to create the target operating model that will define how CoDI will operate is in progress.

How CoDI will reimburse depositors when a bank fails and is liquidated

The SARB published a discussion paper titled 'Using the deposit insurance fund to reimburse covered depositors' on 24 May 2021. This paper explains the process to be followed when the SARB, as the resolution authority, decides to close and liquidate a failing bank. CoDI will reimburse the covered depositors of this bank with up to R100 000 per depositor per bank.

CoDI will also ensure quick access for these depositors to their covered deposit balances using electronic funds transfers (EFTs). Depositors can choose between an account in their name at another bank or they can nominate a friend or family member's account for CoDI to use if they have no other bank accounts. Another possible option will be for depositors to access their funds through a payout agent bank, appointed by CoDI. To find out more, [read the paper here](#).

Global deposit insurance developments during 2021

- The **Kenyan Deposit Insurance Corporation** reimbursed the covered depositors of two failed banks during 2021.
- The **Rwanda Deposit Guarantee Fund** will be finalising the payout of covered depositors of a microfinance institution.
- The **Deposit Insurance Board of Tanzania** successfully liquidated seven banks.
- The **Deposit Protection Fund of Uganda** is making progress with its project to enable mobile phone payouts.
- The **Czech Financial Market Guarantee Scheme** paid out the depositors of a small cooperative credit union through a payout agent bank.
- The **Norwegian Banks' Guarantee Fund** paid out the depositors of Optin Bank ASA using EFTs to accounts nominated by the depositors on a portal.
- The **Hong Kong Protection Board (DPS)** launched electronic payment channels to enhance its compensation methods for depositors.

Do you have any questions? Email CoDI@resbank.co.za.