



SOUTH AFRICAN RESERVE BANK
Prudential Authority

FACT SHEET

**Ithala SOC Limited and the duties of the Prudential Authority and
repayment administrator**

- The Prudential Authority (PA) is, inter alia, responsible for the registration and regulation of banks.
- Banks are strictly regulated by the PA to ensure that deposits belonging to members of the public are protected.
- Ithala SOC Limited (Ithala) has never been a registered bank and does not meet the registration requirements detailed in the Banks Act 94 of 1990 (Banks Act).
- For more than a decade, Ithala has operated under exemption notices issued by the PA and the Minister of Finance. These have allowed Ithala to conduct the business of a bank (which includes taking deposits from members of the public), despite not having a banking licence.
- The exemption notices were a temporary arrangement and were conditional on Ithala's compliance with the provisions contained therein. Chief among these conditions was that Ithala obtain a banking licence. Therefore, the purpose of the exemption notices was always to afford Ithala the opportunity to register as a bank. Regrettably, Ithala consistently and repeatedly violated the conditions of

the exemption notices and ultimately failed to ensure that it was registered as a bank in the extended time period it was given to do so.

- In Ithala's last exemption notice (issued on 12 July 2022), Ithala was expressly informed that it had a final opportunity to regularise its deposit-taking activities by obtaining a banking licence. Ithala was warned that a failure to regularise its deposit-taking activities would result in said activities being wound down. The winding down process would be facilitated by a repayment administrator (RA), who would be appointed in terms of the final exemption notice and responsible for repaying all the deposits to the Ithala's depositors.
- The final exemption notice expired on 15 December 2023.
- Ithala failed to comply with the conditions of the final exemption notice and to meet the requirements to register as a bank within the time period set in the exemption notice.
- The exemption notice was accordingly not renewed and Ithala has thus been conducting the business of a bank illegally since 16 December 2023.
- Since Ithala chose to continue taking deposits illegally, the PA appointed the RA in terms of section 84 of the Banks Act, which defines the powers and duties of the RA. The RA executes his mandate under the direction of the PA. The ultimate purpose of the RA's appointment is to safeguard Ithala's assets and repay its depositors.
- In the event that the RA finds that Ithala does not have enough available funds to repay its depositors, and is therefore insolvent, the PA is empowered to apply for the entity's liquidation in terms of the Banks Act.
- The RA's solvency report (which was reviewed and confirmed by an independent expert) found that Ithala was hopelessly insolvent for multiple reasons, including that it does not have the available cash to refund the amounts due to depositors. Ithala has also historically required annual financial contributions of taxpayer

money from the KwaZulu-Natal Treasury to keep it afloat as it had been operating at a loss for a number of years.

- Contrary to what has been stated by the management of Ithala and other parties, the RA does not perform his duties outside of the purview and support of the PA. All the RA's decisions and actions are discussed, agreed and executed under the direction of the PA.
- The PA and RA directed Ithala to repay all depositors, given that it had unlawfully taken deposits from them. In response to these directives, Ithala admitted that it could not repay its depositors.
- As a result of Ithala's insolvency, its refusal to cease illegal deposit-taking and inability to repay depositors, the PA was forced to apply for Ithala's liquidation. The liquidation application is pending.
- Since Ithala does not have sufficient funds to repay all of its depositors (as it is insolvent), and in order to:
 - ensure the public deposits held by Ithala are safeguarded;
 - ensure a fair distribution of available funds to depositors; and
 - avoid a run on Ithala (where a few depositors withdraw all available funds held by the entity to the detriment of other depositors)the RA decided (in consultation with, and with the approval of, the PA) to prevent the withdrawal of funds from any deposit-taking account of Ithala. The RA has also prevented Ithala from making payments from any of its bank accounts funded through its clients' deposits. This has been done in an effort to protect said deposits, as is the RA's duty in terms of section 84 of the Banks Act.
- To limit the hardship caused by the insolvency of Ithala towards its depositors, the Minister of Finance announced that a guarantee would be issued by National Treasury in due course. The guarantee would assist with the repayment of the debt owed by Ithala to depositors.
- For more information about this matter, click [here](#).