

South African Reserve Bank

Financial Stability Department

Discussion document

Coverage and reporting rules for deposit insurance in South Africa

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1. Executive summary

In May 2017 a paper titled “Designing a deposit insurance scheme for South Africa – a discussion paper” (the 2017 paper) was published. The focus of the 2017 paper was to motivate the need for an explicit, privately funded deposit insurance scheme (DIS) for South Africa. The 2017 paper also presented proposals on the key design features of such a DIS.

The Financial Sector Laws Amendment Bill (FSLAB) was subsequently published in September 2018 for comment. When the FSLAB is promulgated, the establishment of the Corporation for Deposit Insurance (CoDI) will take place according to an implementation schedule approved by the Minister of Finance.

The South African Reserve Bank (SARB) has initiated a strategic project to prepare for the establishment of CoDI. The preparations involve a range of policy, legal, operational and institutional aspects. In the following months, the SARB will publish several discussion papers on key design aspects that will affect and facilitate the operationalisation of CoDI. This document is the first paper in a series, and its focus is on the coverage and reporting rules. Future papers will cover further aspects relating to the implementation of the DIS and the operationalisation of CoDI, including the following topics:

- data definition and reporting requirements (data models, data field specifications, submission mechanisms and integration options);
- funding model and the implications for banks;
- payout and reimbursement; and
- banks’ public awareness obligations for deposit insurance.

It is envisaged that each paper will be published for at least one round of public consultation, to inform the final proposals that will be reflected in the final papers. Once the FSLAB has been promulgated, the provisions of the FSLAB and the finalised papers and comments received will form the basis of secondary legislation.

The FSLAB prescribes the membership of CoDI and contains high-level definitions of qualifying deposits. However, detailed rules have to be developed as part of secondary legislation, in order for all stakeholders to have certainty at a detailed level about which

institutions, depositors and products will be covered by CoDI. The policy proposals set out in this paper are based on research of international standards and best practice, in-depth engagements with deposit insurers in other countries (such as Malaysia, United Kingdom, France and the Netherlands), bilateral meetings with all the registered banks in South Africa, as well as a survey on pooled accounts. A group of consultants, appointed by the World Bank, also reviewed the policy proposals set out in this paper. Further, the consultants are assisting by providing guidance and input on the establishment of CoDI. The policy proposals take into account country-specific characteristics as well as applicable international standards, such as the Core Principles for Effective Deposit Insurance Systems (Core Principles) and other guidance issued by the International Association for Deposit Insurers (IADI).

1.1 Policy objective

In terms of the FSLAB, CoDI's objective, upon its establishment, will be to support the SARB in fulfilling its objective of, and responsibility for, protecting and enhancing financial stability. To fulfil its policy objective, CoDI's functions will be to:

- a. establish, maintain and administer the deposit insurance fund in the interest of the holders of covered deposits; and
- b. promote awareness among financial customers of the protections afforded by CoDI.

The objective and functions of CoDI are consistent with National Treasury's financial sector policy priorities, as articulated in the 2011 policy document titled "A safer financial sector to serve South Africa better", namely the promotion of sustained economic growth and development through a stable financial services sector that is accessible to all.

1.2 Policy rationale

The Resolution Authority will develop a resolution strategy for each bank. This strategy will determine the role CoDI will play in a bank failure. If the Resolution Authority

decides to close a failed bank and apply for its liquidation, CoDI will payout the covered depositors up to the cover limit of R100 000 per qualifying depositor¹.

In such an event, the period between the closure of the bank² and qualifying depositors receiving payout for their covered balances (the payout period) is critical since depositors need to have access to funds for daily transactions.

To reduce the payout period, CoDI must be able to identify qualifying depositors and determine the covered balance due to each qualifying depositor as quickly as possible. This cannot be done only when the bank has closed. Banks will be required to provide and verify information on qualifying depositors and their deposit amounts on a business-as-usual basis. The covered balances for each qualifying depositor will be influenced by CoDI's coverage rules, specifying which depositors, products and product features will qualify for coverage by CoDI.

This paper provides details on the proposed coverage rules, that is, the treatment of specific depositors, accounts and products for deposit insurance coverage. It also proposes the reporting frequency, requirements and information fields that banks will have to submit to CoDI.

Banks will be required to provide information to CoDI in a single customer view (SCV) format. Submitting depositor information in an SCV format means the bank's information technology (IT) systems will produce an aggregated view of all the accounts held by each qualifying depositor, including an indication of the qualifying products and the total covered balance due to the depositor if the bank was to fail.

However, in cases where a bank is unable to provide the information on an SCV basis, the bank can apply to CoDI to provide the information on a granular basis. In such cases, the bank will be allowed to submit different data sets for each qualifying depositor to CoDI without aggregating it into a SCV format. The information fields will be the same as those in the SCV data set, but CoDI's IT system will do the aggregation of accounts and balances per qualifying depositor, and produce the SCV for each qualifying depositor.

¹ In an open-bank resolution strategy, the bank is not liquidated and depositors continue to have access to their accounts. In these cases, CoDI will not payout depositors, but can contribute funds to support resolution strategy, subject to the conditions in the FSLAB.

² The closure of a bank will take place when the SARB announces a closed resolution strategy for a failing bank, which requires CoDI to payout the covered depositors of the failed bank.

Later in 2020 a data definition and reporting requirements paper with the technical details required for submissions to CoDI will be published after which banks will be expected to do assessments of their IT systems to determine the changes required to be able to submit the required information to CoDI. Guidelines will be published, after the finalisation of this paper and the data definition and reporting requirements paper, to assist banks in this regard.

1.3 Structure of the discussion paper

The paper is structured as follows:

- Section 2 provides the proposals for banks' membership of CoDI.
- Section 3 focuses on the detailed proposals for coverage based on different types of depositors, products, accounts and product features.
- Section 4 covers the banks' responsibility to provide CoDI with information, data quality and assurance, and the deposit insurance submissions with proposed information fields.
- Section 5 sets out the way forward and planned timelines.

1.4 Request for comments

Comments are invited on all the proposals in this paper. Comments received will serve as input into the publication of a data definition and reporting requirements paper, which will provide banks with the technical information and specifications to provide the required information in the manner and form determined by CoDI. Once the FSLAB is promulgated, the provisions of the FSLAB, together with the finalised discussion paper will form the basis of secondary legislation.

All comments should be sent to CoDI@resbank.co.za for the attention of the Head: Financial Stability Department. The closing date for comments is 29 May 2020.

2. Membership of CoDI

Membership of CoDI covers items such as the membership at the date of CoDI's establishment, new banking licence applications, mergers and acquisitions, and termination of membership.

2.1 Membership at the date of establishment of CoDI

Once the FSLAB is promulgated and CoDI is established, all registered banks will automatically become members of CoDI³. In terms of the FSLAB, membership will be compulsory for all the banks registered in terms of the Banks Act 94 of 1990 (Banks Act), Mutual Banks Act 124 of 1993 (Mutual Banks Act) and the Co-operative Banks Act 40 of 2007⁴ (Co-operative Banks Act). This definition includes banks operating within the borders of South Africa that are regulated and supervised by the Prudential Authority (PA) as home or host supervisor. The reason for the compulsory membership of all registered banks is to avoid adverse selection⁵.

Initially, all local branches of foreign banks will be required to be members of CoDI even if their deposits are covered by their head office's DIS on an equivalent basis to the South African framework. After CoDI's establishment, these branches can request an exemption from CoDI's membership and its requirements. CoDI will consider the application and engage with the relevant foreign DIS, as appropriate. The outcome of this process will determine whether this branch could be exempt from CoDI membership.

With regard to the South African banking groups' offshore branches and subsidiaries, the deposits held offshore at these entities comprise a small proportion of their total deposits and therefore do not present a significant liquidity risk to the banking groups. Since the South African resolution regime will not be applicable in host jurisdictions and because the contributions by banks cannot be levied directly on the foreign branches or subsidiaries of South African banking groups, these foreign entities will not be members of CoDI and their deposits will not be covered by CoDI.

³ The provisions in the FSLAB will become effective according to a schedule to be approved by the Minister of Finance, which schedule will be communicated to banks.

⁴ Co-operative financial institutions (CFIs) are not registered banks. CFIs will not be members of CoDI upon its establishment. Once CoDI is established and operational, the membership of CFIs, possibly in a sub-fund, will be researched and considered.

⁵ Adverse selection is the tendency of higher-risk banks to opt for deposit insurance and of lower-risk banks to opt out of deposit insurance when membership in the DIS is voluntary.

2.2 Termination of membership

A bank's membership on CoDI will be terminated when the bank's banking license is cancelled, revoked or suspended by the PA. This could also occur when the bank returns its banking licence or when the bank is closed by the Resolution Authority. CoDI will be informed as soon as any of the regulators (PA, Financial Sector Conduct Authority (FSCA) or the National Credit Regulator (NCR)) consider withdrawing the bank's banking licence⁶, licence to be a credit-provider⁷ or Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act) licence⁸.

2.3 New banking licence applications

The PA will inform CoDI about an application for a new banking licence. CoDI cannot veto the PA's approval of a licence to a new bank, but its requirements will become conditions for the banking licence to be granted. These conditions relate to the new bank being able to provide CoDI with the information as prescribed, and the bank should meet its financial obligations to CoDI (annual levy, monthly premiums and deposit with CoDI). The PA will enforce these conditions, together with any other licensing conditions set by the PA.

Newly registered banks' qualifying accounts will immediately be covered by CoDI. New banks will have to meet all CoDI's requirements and obligations from the day of registration. A newly registered bank will be expected to start submitting the monthly deposit insurance submission from the first month-end after its registration as a bank. For each month a newly registered bank does not yet have any qualifying accounts, CoDI will require the Chief Executive Officer (CEO) to submit a letter to CoDI confirming that the bank does not have qualifying accounts. However, once the bank starts reporting qualifying deposits, the bank will start paying monthly premiums to CoDI. New banks will be expected to pay the minimum annual levy as specified in the draft Financial Sector Levies Amendment Bill. The discussion paper on CoDI's funding model will provide more details about the funding obligations of banks.

⁶ Banking licences are granted by the PA in terms of the Banks Act.

⁷ Credit-granting licensing is done by the NCR in terms of the National Credit Act 34 of 2005.

⁸ FAIS licenses are granted by the FSCA.

2.4 Mergers and acquisitions

When an application for a merger between banks or the acquisition of a bank is received by the PA, one of the conditions for such a transaction, if approved, will be for the affected bank(s) to complete separate deposit insurance submissions to CoDI for a period of six months post the effective date of the transaction. The qualifying depositors of the affected banks will qualify for separate deposit insurance coverage for their qualifying balances held at each of these banks during this transition phase due to the uncertainty that a merger may create for the depositors of both banks in such a scenario.

Example: Bank A and Bank B decide to merge and become Bank C. Depositor A had accounts at both Bank A (R80 000) and Bank B (R150 000) before the merger. Prior to the merger, these accounts would be covered separately for Bank A and Bank B. After the effective date of the merger, Bank C will be established. For a six months transition period, Depositor A will continue to qualify for a covered balance of R80 000 for balances at Bank A and R100 000 for balances at Bank B, giving a total covered balance of R180 000 for balances at Bank C – as would have been the case if both banks A and B failed at the same time prior to the merger/acquisition. After the transition period, Depositor A will only qualify for R100 000 coverage on the total qualifying balance of R180 000 with Bank C.

As part of the approval for the merger or acquisition, the entity submitting the application should provide CoDI with a plan for the deposit insurance submissions post the six-month period of separate reporting.

If the acquisition involves one bank acquiring another, but with no intention to merge or reduce the number of banking licences, the qualifying depositors of these banks will remain separately covered up to R100 000 per bank.

3. Coverage rules

IADI's Core Principles require a DIS to define qualifying deposits and accounts in law and to align it to the public policy objectives of the DIS. To facilitate prompt payout when a bank has failed, the definition of qualifying deposits and accounts should be unambiguous, to enable the DIS to quickly and with certainty identify qualifying balances.

In the South African context, CoDI will cover qualifying accounts held by qualifying depositors at member banks⁹. For deposit insurance purposes, the depositor is the natural person, non-natural person without legal entity or entities with legal personality who are legally entitled to the funds in a specific account. Qualifying depositors are depositors that meet the requirements of a qualifying deposit in the FSLAB, which is a deposit with a bank, other than:

- a. a deposit evidenced by a bearer deposit instrument; or
- b. a deposit where the depositor holds the deposit in the capacity of
 - a financial institution, excluding a financial institution that is a CFI as defined in section 1(1) of the Co-operative Banks Act;
 - the national government, provincial government, local government or an organ of state;
 - an entity listed in schedule 2 of the Public Finance Management Act 1 of 1999;
 - the Corporation for Public Deposits (CPD) established by section 2 of the Corporation for Public Deposits Act 46 of 1984; or
 - the Public Investment Corporation (PIC) established by section 2 of the Public Investment Corporation Act 23 of 2004.

When determining the qualifying depositor for deposit insurance coverage purposes, a distinction is made between simple and complex accounts.

- Simple accounts are accounts where the account holder(s) are also the legal owner(s) of the funds. With simple accounts the depositor and account holder are therefore the same.
- Complex accounts are accounts where the account holder(s) are not the ultimate beneficiary(ies) of the account balance. The account holder(s) are representative(s) handling the funds in the account on behalf of the ultimate beneficiary.

⁹ Other financial institutions may also offer similar accounts, but since only banks will be members of CoDI, CoDI will only cover these products if held by banks.

Qualifying accounts are accounts held by qualifying depositors in qualifying products. The aggregated balance of all qualifying accounts held by a single depositor or ultimate beneficiary at a specific bank would be added together to calculate the qualifying balance. The coverage level per qualifying depositor per bank will be R100 000. The coverage level will be applied to the qualifying balances to determine the depositor's covered balance. If the qualifying balance is less than the coverage level, CoDI will cover the full balance. If the qualifying balance exceeds the coverage level, the depositor's covered amount will be capped at the maximum amount of R100 000.

IADI's Core Principles require that a DIS periodically review the level and scope of coverage to ensure that it continually meets its public policy objectives. To comply with these requirements, CoDI will review the level and scope of its coverage at maximum intervals of five years from its date of establishment, or when significant changes in the economic and financial environment justify a review, to ensure its public policy objectives are continually met.

Example: Kgomotso is an individual depositor. She is a qualified depositor with qualifying accounts at Bank A to the value of R120 000 and at Bank B to the value of R10 000.

Kgomotso's qualifying deposits	Bank A	Bank B
Qualifying balances	R120 000	R10 000
Covered balance	R100 000	R10 000

If Bank A fails, Kgomotso will receive a payment of R100 000 from CoDI. If Bank B fails, she will receive R10 000. If both Bank A and Bank B fail at the same time, she will receive a total payment of R110 000: R100 000 for her deposits at Bank A and R10 000 for her deposits at Bank B.

Paragraphs 3.1 to 3.4 below will provide detailed guidance on the rules for deposit insurance coverage for specific types of depositors, products, accounts and account features.

3.1 Types of depositors

The type of depositor influences the coverage provided by a deposit insurer.

3.1.1 Retail and non-financial corporate depositors

Based on the FSLAB's definition of qualifying deposits, CoDI will cover retail and non-financial corporate deposits. The focus of a deposit insurer's protection is not usually on corporate institutions, but on small and medium businesses (SMEs). However, as explained in the 2017 paper, the difficulty in distinguishing between SME and non-SME businesses using regulation 26 of the Regulations relating to Banks (Regulations), justified the inclusion of all non-financial corporates for deposit insurance coverage.

Accounts held by sole proprietors and partnerships will be covered separately from the individual's personal bank accounts, up to the coverage limit of R100 000, provided that such deposits are held in a bank account that is separate from the depositor(s)' personal accounts.

3.1.2 Foreign depositors

Foreign individuals and foreign non-financial corporates with qualifying deposits held at members of CoDI will qualify for deposit insurance to allow for compliance with international guidance, to contribute to financial stability by preventing a deposit run, and to avoid excessive compliance and/or administrative costs for banks.

3.1.3 Minors and legally incapacitated depositors

CoDI will provide coverage to qualifying products held in a minor's name up to the coverage level of R100 000. Accounts held in the name of the minor will be covered separately from their parents and/or guardians. CoDI may contact the parent/guardian (as recorded by the bank) about information required for paying out the minor's covered balance if a bank fails.

For individuals mentally and legally incapable of managing their own affairs, CoDI may contact the appointed curators or administrators, as recorded by a bank, for information required to compensate these individuals.

3.1.4 Deceased depositors

When a qualifying depositor dies and the failing bank is notified on or before the date of its closure, the bank will report the depositor and their qualifying accounts as a formal beneficiary account in its deposit insurance submission to CoDI. If the details about the executor to the estate have been provided, CoDI will communicate with the executor of the estate about the funds due to each beneficiary mentioned in the deceased's last will and testament. Each beneficiary can receive up to a maximum of R100 000 of the deceased's qualifying balance in addition to their own covered balances.

If the qualifying depositor died before the closure of the failing bank and the bank did not classify the qualifying depositor as deceased, CoDI will process the depositor's accounts and payout up to the coverage level of R100 000. The onus will be on the executor to inform CoDI about the death of the qualifying depositor, after which CoDI will, upon receiving documentation in this regard, review the amount paid out.

However, if the qualifying depositor dies after a bank has been closed, the estate of the deceased depositor would be entitled to an amount up to the coverage level of R100 000 only. The executor or family of the deceased will have to inform CoDI about the death of the depositor. Payout will be done to the executor for distribution to the beneficiaries of the estate.

3.1.5 Charitable organisations, religious entities, trade unions and consumer associations

CoDI will cover qualifying accounts held by charitable organisations, religious entities, trade unions and consumer associations up to R100 000.

3.1.6 Beneficiary accounts

The 2017 paper distinguished between pooled accounts (also known as beneficiary accounts) where accountable institutions are the account holders (formal pooled accounts or formal beneficiary accounts), and other pooled accounts where the account holders are not accountable institutions (informal pooled accounts or informal beneficiary accounts). The proposal was for the pooled accounts held by accountable institutions to be covered on a look-through approach to the underlying beneficiaries, and for all other pooled accounts (such as stokvels) to be treated as a single account for coverage purposes. The reason for this was that it was easier to obtain the details of the underlying beneficiaries to a pooled account held by accountable institutions than for other pooled accounts.

The 2017 paper received many comments in relation to these proposals. Additional work was done to understand the complexities of the different types of pooled accounts. The concept of pooled accounts was discussed in meetings with all registered banks in South Africa during 2019. A pooled account survey was completed by these banks in the third quarter of 2019 to obtain additional information on the size and nature of formal and informal beneficiary accounts.

To understand the challenges of beneficiary accounts for deposit insurance purposes, one should be aware of the difference between the formal and informal beneficiary accounts. Figure 1 below depicts the key differences between these accounts.

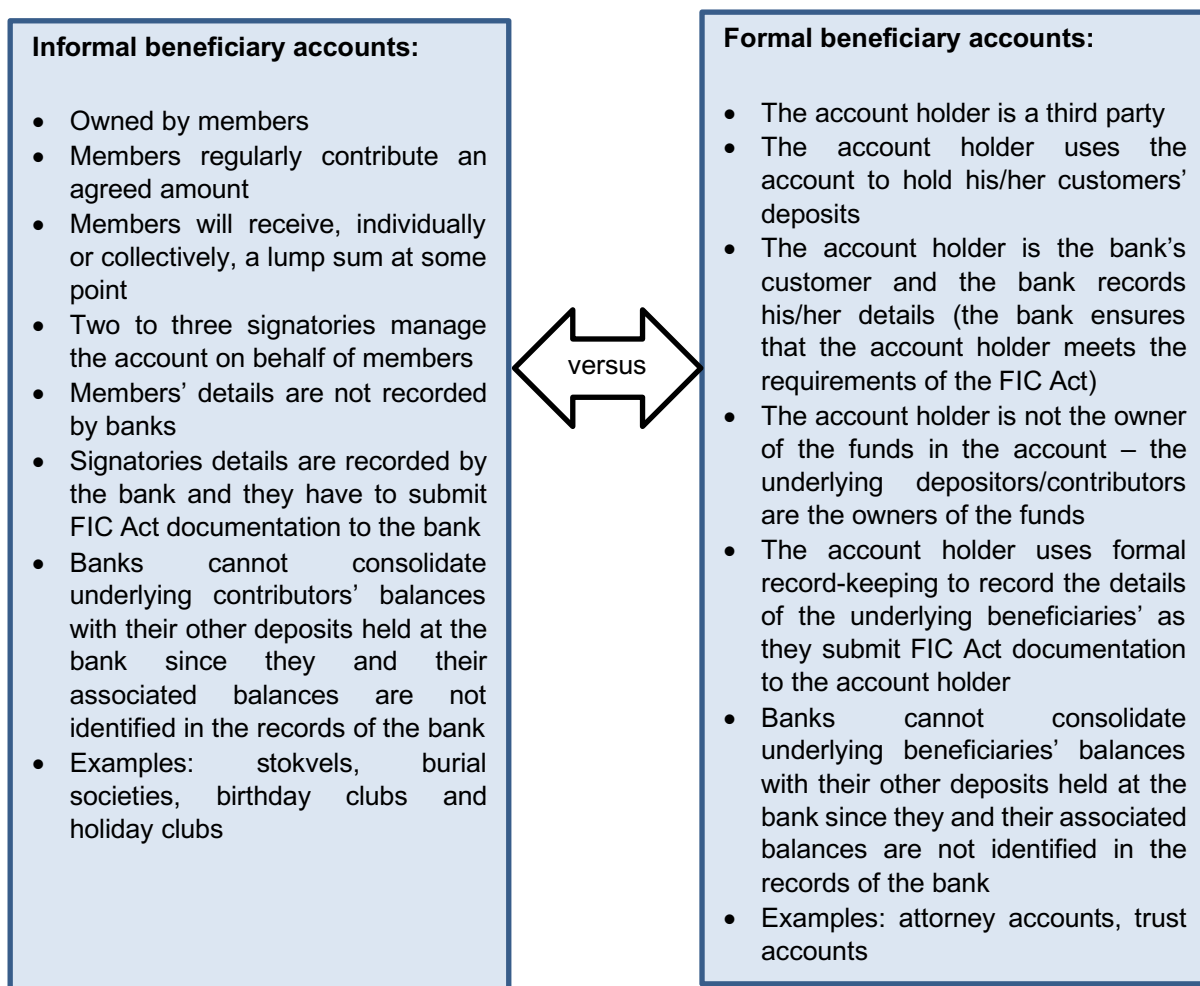
The account holders of formal beneficiary accounts are generally accountable institutions¹⁰ who use formal record-keeping to track the details of the beneficiaries and their associated balances. In the case of an informal beneficiary account, the signatories manage the account on behalf of members and record-keeping is not regulated.

As can be seen from Figure 1, one similarity between the two types of accounts is that banks do not typically know who the underlying beneficiaries are since the banks do not always collect FIC Act information about these individuals and do not keep their details in the records of the bank. For both formal and informal pooled accounts, only

¹⁰ In terms of schedule 1 of the Financial Intelligence Centre Amendment Act 1 of 2017 (FIC Act)

the signatories or account holder, respectively, will have the details of the underlying beneficiaries.

Figure 1: Key differences between formal and informal beneficiary accounts



Formal record-keeping refers to the record-keeping done by accountable institutions, including banks, accountants, attorneys, estate agents and registered financial services providers. A formal or professional record-keeping system is important for depositor insurance, because CoDI requires reliable information to identify the ultimate beneficiaries of an account. This is essential for determining the qualifying and covered balances per qualifying depositor. Formal record-keeping influences the treatment of beneficiary accounts in terms of deposit insurance coverage.

3.1.6.1 Formal beneficiary accounts

The 2017 paper proposed that formal beneficiary accounts be treated on a look-through approach to ensure that the underlying beneficiaries are covered separately

up to R100 000 (combined with their other qualifying accounts¹¹). This proposal was based on banks not having the details of the underlying beneficiaries of the formal beneficiary accounts, which would affect both the reporting and/or the calculation of covered balances, as well as the payout of the covered balances when a bank fails.

Table 1: Research on formal beneficiary accounts

In the recently completed pooled account survey, banks reported attorney trust accounts, other trust accounts, estate agent accounts, liquidator accounts, estate late accounts, financial service providers and corporate escrow accounts as formal beneficiary accounts. Agent accounts, provided mostly by registered financial service providers, were also included as pooled accounts. There are different types of agent/agency accounts which will affect the reporting of these accounts to CoDI. These accounts could be in different types of products, including savings and term deposits.

In terms of the FIC Act, attorneys, financial service providers, accountants and estate agents are recognised as accountable institutions and are obliged to comply with the provisions of the FIC Act. When these institutions are the account holders to a trust or escrow account, the FIC Act requires these accountable institutions to obtain documentation as required by the FIC Act from its clients. CoDI will be able to obtain the information on the underlying clients (beneficiaries) from these accountable institutions to determine the balances to be paid to qualifying depositors who are entitled to a balance held in a formal pooled account.

Some formal beneficiary account holders are not accountable institutions. In such cases, the FIC Act (save for reporting in terms of section 29 of the FIC Act) is not applicable thereto. As such, in these instances the FIC Act requires banks to collect information to identify the beneficial owners in respect of its client (the account holder of a formal beneficiary account).

Only non-financial corporates and retail deposits qualify for deposit insurance coverage. With formal beneficiary accounts, however, the account holder may be a

¹¹ A depositor will first receive payout for its qualifying simple accounts (where the account is held in the name of the depositor) within 20 days. Should this amount be less than the maximum coverage of R100 000 and the depositor is entitled to coverage under a formal pooled account, the depositor will receive an additional payout over a longer period than the 20 days – but the total amount paid to the depositor will not exceed R100 000.

non-qualifying depositor with the underlying beneficiary(ies) being qualifying or non-qualifying depositors. For example, the account holder may be a financial service provider (not qualifying for deposit insurance coverage), but the underlying beneficiary may be individuals (qualifying for deposit insurance coverage).

Some agent accounts are held in the name of a financial services entity, acting on behalf of underlying beneficiaries. In such cases, the accounts are considered to be formal pooled accounts where only the account holder knows the identities of the underlying beneficiaries and their associated balances. Other agent accounts involve the opening of accounts for clients (in the customers' names) but are managed by an agent. Usually, banks do an aggregation of these accounts in the name of the individual depositors with any other simple accounts held in the name of the depositor, that is, these accounts are not considered formal pooled accounts but as simple accounts¹².

For payout purposes, a look-through approach to formal beneficiary accounts is possible because the account holder usually has the underlying documentation containing the details of the individual beneficiaries/depositors to the accounts. This information is usually kept at either the bank, attorney or other accountable institution who set up and/or manages the account. In terms of the amendments to the FIC Act, each bank will have its own requirements for the identification and verification of its clients and the determination of the beneficial owners.

When a bank fails, before payout of these accounts can take place, CoDI will need the account holder to identify and verify the ultimate beneficiaries to formal beneficiary accounts and their associated amounts. This is why these accounts are considered as complex accounts for deposit insurance purposes. Although these accounts will be covered on a look-through approach to identify each beneficiary and their associated balances, these beneficiaries will not be paid out within the initial 20-day payout period after the failure of a bank as CoDI will need to process these accounts manually, which may take a significant amount of time.

¹² More information on simple accounts vs complex accounts are provided in paragraph 3.

Example: John has the following deposits with Bank D

John's qualifying balances	Balance	Payout amount
Savings deposit	R50 000	R50 000
Transactional account	R30 000	R30 000
Portion of funds in a trust account	R50 000	R20 000

If Bank D fails, John will receive the following payout amounts from CoDI:

Payout received within 20 days	Payout after 20 days
Savings deposit + transactional amount	Portion of funds in a trust account
R50 000 + R30 000 = R80 000	R100 000 – R80 000 = R20 000

If Bank D fails, the simple accounts in John's name will be paid out first and within 20 days. John will then still be entitled to R20 000 since he has not received the maximum covered balance of R100 000. John will receive R20 000 of the R50 000 portion he had in the trust account, which is a complex account, at a later stage. Since CoDI will not know at the date the bank is closed that John has funds in the trust account, the CoDI would need to contact the account holder of the trust account to get the information on the underlying beneficiaries to the trust account and their associated balances before determining the amounts to be paid out to these beneficiaries.

CFIs' deposits at members will be considered as formal beneficiary accounts if CFIs become accountable institutions¹³, and they would be expected to have a formal record-keeping system (even if not an electronic record-keeping system). CoDI will cover the qualifying beneficiaries of the CFI's account at a failing bank up to R100 000 (combined with any other qualifying balances they may have).

3.1.6.2 Informal beneficiary accounts

The 2017 paper proposed that informal pooled accounts be treated as a single account, with coverage up to R100 000 for the entire account, regardless of the number

¹³ In terms of the proposed amendment to the FIC Act.

of members. This proposal was based on the assumption that banks would not have the details of the underlying members/contributors to these accounts. Another assumption was that the number and size of these pooled accounts were not significant and that the R100 000 coverage would be sufficient to cover most of these accounts in full.

Table 2: Research on informal beneficiary accounts

The above assumptions were discussed with the banks and it was also a focus area in the pooled account survey. During the discussions with banks, the following aspects of informal beneficiary accounts were discussed:

- account opening requirements;
- updating of account information (i.e. names of members);
- rights to make account withdrawals or changes;
- size and number of accounts (on average); and
- types of accounts.

From the information gathered, the majority of banks in South Africa do not offer informal beneficiary accounts, but several banks were considering offering these products in the future.

The discussions also revealed inconsistent practices among banks offering informal beneficiary accounts in terms of the requirements for opening an account. Some banks require a constitution document, while others do not. Those that require a constitution document keep a hard copy, on record (which is not always scanned and added to the bank's electronic records). Members of the informal beneficiary account are usually, but not always, captured in the constitution document. Even when it is captured in the constitution document, changes to the membership are often not updated in the constitution document because the bank has to rely on the signatories to update the document. Using the look-through approach for informal beneficiary accounts is not possible since there is no formal record-keeping by an accountable entity of the underlying members' details and their associated balances.

Most banks require two or more signatories when these accounts are opened. Only signatories are subject to FIC Act requirements, not the other members. The signatories' details are recorded as the accounts' representatives as they are the

persons with the authority to act on behalf of the members. Banks identify and verify the signatories to these accounts.

Only one bank does distributions on behalf of its members and therefore requires the details of the underlying beneficiaries – but only on the distribution date. At most other banks withdrawals are done by two or more of the signatories. These signatories must present themselves together at the bank when making any withdrawals or changes to the account. Typically, one signatory must initiate the withdrawal and another signatory has to approve the withdrawal. Few banks allow electronic withdrawals (also requiring two signatories).

There are two types of informal beneficiary accounts, namely, rotating and cumulative accounts. Rotating accounts involve a different member receiving the total contribution by all members at regular intervals or for a specific event (such as a funeral or birthday). The cumulative accounts involve all members contributing to the account for a fixed period and then dividing the balance between the members at a specific point in time. For example, many stokvels save from January to November each year and then withdraw the entire balance over the December period to allow for celebrations during the festive season or school fees in the new year.

Since banks do not record the details of members and their percentage entitlement, banks manage these informal beneficiary accounts as separate entities, that is, the balances due to beneficiaries of these accounts cannot be included with other accounts in the name of the these members, as depositors, for SCV purposes.

Not having the number of members/beneficiaries to these accounts makes it impossible to determine the average balance per member/beneficiary. Several banks have large numbers of these accounts as it aligns to their business model. Using the number of accounts and the total values provided by banks for informal beneficiary accounts, the average balance of each informal account could be around R16 000. However, this could be misleading. Based on the discussions with banks, most of these accounts have small balances, but there are some accounts that have a relatively small number of members and large balances, meaning that a coverage of R100 000 per informal pooled account could result in some members losing significant amounts of money.

The formalisation of informal beneficiary accounts could make the look-through approach for the identification of the beneficiaries possible. This would involve all banks keeping the constitution document with the required details of the underlying members, on record. All members would have to submit identification and verification documentation in terms of the FIC Act. Making this a legal obligation on banks would result in a substantial amount of work and costs, especially for those banks with large numbers of these accounts. Furthermore, the onus will be on the signatories to ensure that members' details are updated regularly. For this approach to work, a deposit insurance public awareness strategy would have to include depositor education on the implications of not updating these details.

Banks were divided when this proposal was discussed. Several banks were of the opinion that formalising these accounts would increase the cost of compliance for banks without any real benefit to the banks since many of the members of these accounts may not be clients of the bank. Some banks also argued that the appeal of these accounts for the members is its informal and anonymous nature. Formalising these accounts could result in a decrease in the popularity of these accounts and savings in general since these accounts are an important saving mechanism for South Africans that are financially less sophisticated (the focus of a deposit insurer). This could in turn impact on financial inclusion as many of these depositors do not have any other bank accounts.

Based on the details obtained through the discussions with the banks and the pooled account survey, no alternative and cost-effective approach for covering these accounts for deposit insurance purposes has been identified. Each informal beneficiary account will therefore be covered up to a maximum of R100 000.

If a bank requires a constitution document for an informal beneficiary account, together with the names and identity numbers of the beneficiaries and these beneficiaries submit FIC Act documentation, the bank can report the account as a formal beneficiary account. The other accounts held by the beneficiary will be considered before determining the qualifying balance for the beneficiary. Each beneficiary can receive up to R100 000 for all their qualifying accounts held at a bank.

Item 1 – Feedback required

- a. If banks were to keep record of the members or beneficiaries of informal beneficiary accounts, each beneficiary would receive deposit insurance coverage up to a maximum of R100 000, in conjunction with any other accounts held at the same bank. Bearing this in mind, would banks and members of informal beneficiary accounts be willing to formalise these accounts?

3.1.6.3 Electronic money products

Electronic money products were included in the pooled account survey to get an indication of the types of electronic money products offered by South African banks. The survey also included the volumes and sizes of these products and/or transactions.

Table 3: Research done on electronic money products

Few deposit insurers in the world cover these accounts. Although it is a fairly new type of product, it is expected to grow significantly over time, especially in African countries where it provides an alternative payment method to transactions through a bank account.

To qualify as an electronic money product, the electronic money should

- represent a monetary value and must be claimable by an issuer;
- be stored electronically and issued on receipt of funds;
- be generally accepted as a means of payment by persons other than the issuer; and
- be redeemable on demand for physical cash or a deposit into a bank account.

Based on the research done on electronic money products, only six South African banks offer electronic money products. These banks reported the following as electronic money products:

- electronic only payment products (usually done through an App – not necessarily the bank’s internet banking app);
- foreign or local currency wallets/remittances;
- prepaid travel or transit cards; and

- digital vouchers.

Electronic money products are also a type of beneficiary account. Most of the products reported as electronic money products are payment facilities or products provided by a bank. These products are generally not linked to an existing bank account at the facilitating bank and can (in most cases) be used by non-bank customers. Limited data is collected for most of these facilities (only the identity number and cellphone numbers of the party initiating the payment instruction). For new customers, a profile is created on the bank or the facilitating third-party system, but is not subjected to full FIC Act requirements. Although the profile of the initiating party can be linked to existing bank customers' profiles, most banks' systems do not have this integration capability.

Based on the relatively small number of banks that offer these electronic money products as well as the insufficient information collected on both the initiating party and the recipients of funds transmitted in this manner, the recommendation is for these products not be included for deposit insurance coverage as yet.

However, should the range and volumes of these products grow significantly over time, the coverage of these accounts can be re-assessed when CoDI reviews its coverage rules.

3.1.6.4 Beneficiary account coverage proposals

The proposals for the coverage of beneficiary accounts can be summarised as follows:

- **Formal beneficiary accounts:** The look-through approach will be applied. Upon the failure of a bank, the account holder will be contacted to identify the beneficiaries and their associated balances. Beneficiaries that are qualifying depositors will be covered up to R100 000 (combined with any other qualifying products they may have).
- **Informal beneficiary accounts:** Each account will be covered up to R100 000 per account.
- **Electronic money products:** These products will not qualify for deposit insurance coverage as yet.

It is important to note that if members of a savings club or stokvel save funds in the account of an individual and not in an informal beneficiary account – catering specifically for group savings – the bank may not be aware that it is a group account and will not report it as such to CoDI. In such a case, the individual’s other qualifying deposit balances, together with the ‘stokvel’ account in his/her name, would be combined in determining the covered balance for this depositor.

Example: Lerato is a member of two stokvels. The one stokvel (ABC Savings Club) keeps its funds (R90 000) in a stokvel account at a bank, whereas the other stokvel (DEF Savings Club) keeps its funds (R80 000) in a savings account in the name of Thabo, the chairperson of DEF Savings Club, at the same bank. Lerato also has a fixed deposit at the same bank in her own name with a balance of R120 000. Thabo has a personal fixed deposit with the same bank with a balance of R100 000.

Depositor	Deposit	Balance
Lerato	Fixed deposit	R120 000
ABC Savings Club	Stokvel product	R90 000
Thabo	Savings account (stokvel funds)	R80 000
Thabo	Fixed deposit	R100 000

Should the bank fail, the following will be paid out:

Depositor	Deposit	Amount paid out
Lerato	Fixed deposit	R100 000
ABC Savings Club	Stokvel product	R90 000
Thabo	Savings account and fixed deposits combined	R100 000

CoDI will pay R90 000 to ABC Savings club and R100 000 to Lerato for her fixed deposit amount at the failed bank. Thabo will receive the maximum payout of R100 000 for the accounts in his name, which includes both the savings account and fixed

deposit. DEF Savings Club will not receive anything since the funds were held in Thabo's savings account.

Thabo will have two choices:

- He can give a portion of the funds paid to him to DEF Savings Club – if he gives DEF Savings Club their full balance of R80 000, Thabo will be left with R20 000 only. Lerato may then get her portion of the stokvel's funds.
- He can also decide to keep the R100 000 since he had R100 000 of his own funds in a fixed deposit. In this case DEF Savings Club and Lerato will not get any funds from CoDI when the bank fails.

Therefore, for a stokvel account to be covered up to R100 000, the funds must be held in a stokvel or group savings account in the name of the stokvel and not in an account in the name of an individual.

3.1.7 Excluded types of depositors (non-qualifying depositors)

Some types of deposits are generally excluded from the deposit insurance coverage, provided that they are easily identifiable. The main reason for such exclusions is that these deposits are not retail deposits and are from institutions that are supposed to have the resources and capability to assess the level of risk of banks, manage their risk exposures and make informed investment decisions. As professional investors, the deposits of these institutions are typically large, making the cover limit offered by a DIS insignificant relative to the size of the deposits.

In terms of the FSLAB's definition of qualifying deposits, the deposits by the following types of depositors do not qualify for deposit insurance coverage:

- a. deposits by banks¹⁴;
- b. 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; and

¹⁴ CFIs' deposits at banks will be covered up to the maximum coverage level of R100 000.

- c. deposits by government, including local, provincial and national government, as well as public financial sector entities, the PIC, the CPD, other public non-financial corporations and monetary authorities.

3.1.7.1 Authorised signatories

An account holder can make another individual an authorised signatory to his/her account without adding their name to the account as an account holder. The account holder is the legal owner of the funds in a bank account. The authorised signatory can only transact on the account, but has no claim to the funds. This is not a joint account and only the account holder will receive coverage for this account.

Mpho has a transactional bank account with Bank A with a balance of R120 000. He is the only account holder. He makes Lesedi an authorised signatory to the account. Lesedi has no other bank accounts with Bank A.

	Qualifying balance	Covered balance
Mpho	R120 000	R100 000
Lesedi	R0	R0

When Bank A fails, Mpho, as the account holder will have a qualifying balance of R120 000. After the application of the coverage limit, Mpho will receive R100 000 from CoDI. Lesedi will not be entitled to any of the funds in the account.

3.1.7.2 Deposits held by executive management, directors and external auditors of a failing bank

The executive management¹⁵ and the board of directors (board) of a bank manage the financial affairs and risks of the bank while the bank is a going concern. A failure in governance often contributes to the failure of a bank. Deposits held by the failing

¹⁵ In terms of the Banks Act, an executive officer for a bank includes “any employee who is a director or who is in charge of a risk management function of the bank, the compliance officer, the secretary of the company or any manager of the bank who is responsible, or reports directly to the chief executive officer of the bank”.

bank's executive management team and the board at the failing bank will not be covered.

The deposits held by related parties of these individuals will also not be covered. Related parties is defined in regulation 42 of the Regulations as: "any person (whether natural or juristic) over the business of which the director or executive officer can exercise a significant influence and which business undertakes business with the relevant bank or controlling company to an extent that could materially influence the asset base, profitability or risk profile of the said bank or controlling company". Arrangements to collect related party information from members will be made by either CoDI or the PA.

For similar reasons, deposits held at the failing bank by the bank's lead external audit partner(s) (nominated in accordance with the provisions of section 44 of the Auditing Profession Act 26 of 2005 as the registered auditor(s) within the firm that is responsible and accountable for the audit of that the failing bank) will also not be covered.

3.2 Types of accounts

The type of account affects the deposit insurance coverage.

3.2.1 Joint accounts

A joint account is an account opened in the name of two or more depositors. If the account holders are qualifying depositors, they will each be legally entitled to a portion of the funds in the account for deposit insurance purposes. These account holders may specify ratios according to which appropriation in terms of their rights to the balance in the account (such as 80/20, 70/30 or 60/40 for two depositors, and so forth) should be made. Provided that such ratios are recorded by the bank, CoDI will payout according to the specified ratios. If no ratios are specified by the depositors, the balances in these accounts will be allocated in equal proportions among the number of individuals listed as account holders in the records of the bank.

For each depositor to a joint account, the balance of other qualifying accounts and the allocated balance from the joint account, will be aggregated to determine the total qualifying balance for the depositor before the coverage limit is applied.

Example: Mbali and Bob have the following accounts in Bank A

Depositor	Account	Balance
Mbali	Savings account in her name	R80 000
Bob	Savings account in his name	R70 000
Bob and Mbali	Joint savings account	R50 000

When Bank A fails, the joint account balance will be shared equally by Mbali and Bob (R25 000 each) since they have not specified a specific ratio for appropriation. The following amounts will be paid out:

Depositor	Calculation	Qualifying balance	Covered balance to be paid out
Mbali	R80 000 + R25 000	R105 000	R100 000
Bob	R70 000 + R25 000	R95 000	R95 000

Since Mbali's qualifying balance exceeds the coverage limit of R100 000, she will receive R100 000 when Bank A fails. Bob will receive R95 000 since this is less than the coverage limit.

3.2.2 Sharing accounts

Several banks have developed new types of accounts whereby the primary account holder shares a portion of his/her funds with other individuals by providing them with a

pocket with funds under the same account number. The primary account holder remains in control of the funds in the pocket, even after making the allocation. The individuals receiving the pocket of funds can use these funds for their own purposes, but do not have access to the main account balance and cannot make changes to the account. In the records of the bank, the entire account balance is held in the name of the primary account holder who is also legally the owner of the funds.

For deposit insurance purposes, these accounts will be covered if the primary account holder is a qualifying depositor. The primary account holder will receive payout for their covered balances in the event of a bank failure.

3.2.3 Dormant and inactive accounts

There is no legal or regulatory definition of dormant or inactive accounts in South Africa. There are also no uniform practices in the banking industry with regard to dormant or inactive accounts (World Bank Group, 2018: 95). From discussions with the banks it appears that, even if a bank classifies an account as inactive or dormant, depositors remain legally entitled to the funds in the account for an indefinite period of time. As such, CoDI will cover dormant and inactive accounts for qualifying depositors, but the payout of these accounts may be delayed if these depositors' details are outdated.

3.2.4 Accounts with details of a power of attorney

Qualifying depositors may also give a power of attorney to a trusted individual or entity to act on their behalf, if required. This individual/entity does not become the account holder. If the individual/entity with the power of attorney is recorded in the records of the bank as the only contact for the qualifying depositor (whose contact details may not be listed even though the account is in their name), all communication will be directed to the individual/entity with the power of attorney. If the name of the qualifying depositor is recorded for contact purposes, the depositor will be contacted. However, regardless of who is contacted, only the qualifying depositor will be covered by CoDI.

3.2.5 Club accounts

Club accounts refer to accounts where there are multiple contributors to an account, but not for savings or transactional purposes. These accounts include contributions to not-for-profit accounts, sports clubs' accounts and body corporate accounts for membership or maintenance fees. Although there are multiple contributors to these accounts, the contributors are not entitled to these balances once they have made the payments. In terms of coverage, the account holder/entity will be covered up to R100 000 if it is a qualifying depositor – there will not be separate deposit insurance coverage for the underlying contributors. These accounts are not pooled (or beneficiary) accounts for deposit insurance purposes, but simple accounts in the name of the account holder/entity.

3.3 Product types

Only qualifying products will be covered by CoDI. The definition of qualifying products should be aligned to the objective of CoDI, be relevant and consistent over time, not cause distortions in depositor behaviour at a systemic scale, and should not have adverse unintended consequences for banks' risk profiles and regulatory compliance.

In applying the deposit insurance principles, it should be kept in mind that deposit insurance is predominantly aimed at protecting more vulnerable depositors with less access to information about, and insight into the relative riskiness of banks and specific bank products. In general, complex products that are aimed at higher net-worth clients are likely to be excluded, especially if they lead to inconsistencies, uncertainty about coverage or delayed pay-out processes. Banks will be required to disclose to customers on a business-as-usual basis which of their accounts are covered, and which are not covered. The discussion paper on banks' obligations for public awareness and communication will provide more details in this regard.

3.3.1 Term deposits and credit balances on transactional, transmission and cheque accounts

Traditional deposits are positive balances on cheque or transmission accounts, savings deposits, and fixed or notice deposits held in the name of the depositor(s).

CoDI will cover deposits held by qualifying depositors, regardless of the term of the deposit.

3.3.2 Foreign currency deposits

CoDI will cover foreign currency denominated deposits held by qualifying depositors, provided that the deposits were booked on the balance sheet of the South African bank. Payout of these balances will be done in rand (ZAR) using the daily exchange rate on the date that the bank is closed.

3.3.3 Credit balances on loan accounts

Credit balances on loan accounts can arise when:

- funds remain in a credit or loan account, or was deposited after the outstanding loan balance had been paid in full (likely for future use);
- there was prepayment or overpayment of loan obligations;
- refunds are received by bank customers on loan account; and
- there are temporary credit balances from normal banking transactions.

As depositors are legally entitled to these funds, the proposal is to cover credit balances on loan accounts for qualifying depositors.

3.3.4 Offset mortgages and loans

The purpose of offset mortgage accounts is to reduce the (negative) mortgage balances with the (positive) balances on other accounts, such as a transactional or savings account. This results in lower interest payable on the outstanding mortgage balance. This type of account is opened when the mortgage loan is accepted.

There are two approaches to the offset mortgages held by qualifying depositors:

- The mortgage loan and the transactional/savings account is combined into one large overdraft account (with a credit limit); or

- The mortgage loan and the transactional/savings account are separately recorded in the records of the bank. The balance in the mortgage loan is offset with the positive balance in the transactional account before the interest payable on the mortgage loan is calculated.

In the first case, it is not possible to separately identify the mortgage loan and the transactional account as there is one account number. For deposit insurance purposes, this account would be treated as an overdraft. The net balance will determine if the account will qualify for deposit insurance coverage:

- if the home loan balance exceeds the positive account balances against which it is set off, there will be a remaining loan balance for which the depositor is liable. When the bank where the account is held fails, this balance will remain in the estate of the failing bank and the depositor will remain liable for this amount;
- should the home loan balance be less than the positive account balances against which it is set off, there will be a positive balance due to the depositor when the bank fails. In such an instance, this would be considered as a deposit/credit balance which will qualify for deposit insurance coverage.

In the second case where the mortgage loan and the transactional/savings account are separately recorded, the two accounts can be separately identified. When the bank where the accounts are held fails, the mortgage loan will go into the estate of the failing bank and the depositor will remain liable for any outstanding payments, whereas the positive transactional account balance will qualify for deposit insurance on a gross basis.

There are banks offering similar facilities for transactional accounts offsetting other types of loans' balances. The same principles will apply when determining the coverage of these products.

3.3.5 Shares in a mutual bank or cooperative bank

Mutual banks' indefinite period paid-up shares, subscription shares and fixed period paid-up shares are loss-absorbing shares, and do not qualify for deposit insurance coverage. Deferred shares in a mutual bank are also not covered.

Mandatory shares in cooperative banks will not be covered by CoDI as they are loss-absorbing shares. Voluntary shares will only be covered if they are held by a qualifying depositor and if they are not loss-absorbing. The loss absorbency will depend on the terms agreed to between the bank and the investor. When a cooperative bank reports to CoDI, it needs to tag voluntary share accounts. When the cooperative bank fails, the payout of this account will be delayed until CoDI can verify the loss-absorbing nature of the voluntary shares.

3.3.6 Islamic accounts

Several questions about the deposit insurance coverage of Islamic accounts were received after the 2017 paper since it was silent on the deposit insurance treatment of Islamic accounts.

Islamic deposit accounts differ from traditional deposits. Islamic accounts are not allowed to earn interest (riba) as it is forbidden by Shariah law. Islamic savings or investment accounts are typically investments in shares on the stock market. The investments are guided by Islamic principles of not investing in speculative markets or in unethical or prohibitive industries (such as gambling, alcohol or tobacco). These accounts are operated on the basis of a profit-sharing approach. The capital amount is not guaranteed and could lose value. The profit and/or loss will be shared by the depositor and the bank.

Islamic transactional or cheque accounts are not profit-sharing accounts as they are operated on the principle of Qard, where the account holder expects no return and the bank has no obligation to pay a return. With these accounts, the account holder can expect to get the full amount deposited back.

During the meetings with banks, Islamic accounts were discussed. The intention was to obtain information on the number and sizes of the Islamic accounts in South Africa, to determine if the size of this segment of the market justified the development of a separate Shariah law-compliant deposit insurance fund within CoDI.

Based on the information obtained, only five banks in South Africa offer Islamic accounts. Only one of these banks is a purely Islamic bank offering only Islamic accounts. Furthermore, Islamic deposit balances is estimated to amount to less than

5% of the qualifying deposits in South Africa. Banks offering Islamic accounts are of the opinion that this is an area that will experience significant growth in the future.

There was uncertainty whether qualifying Muslim depositors would be able to use any deposit insurance funds paid out to them for their covered balances if the source of the funds were interest-bearing investments (i.e. CoDI's investment portfolio). Islamic advisers at banks provided feedback that if it was a legal requirement for all banks to be members of a deposit insurer not complying with the Shariah law and to make contributions to this deposit insurer, Islamic banks would have to comply with these requirements. It was also pointed out that Islamic depositors will be able to use the funds paid out to them after the failure of a bank as the depositors themselves did not choose to make the contributions to the deposit insurance fund that is not complying with Shariah law.

Internationally, a memorandum of understanding was signed between IADI and the Islamic Financial Stability Board, which resulted in the establishment of a technical working group tasked to develop the Core Principles for Islamic Deposit Insurance as most countries with Islamic deposit insurance appear to not be fully compliant with Shariah principles. This has led to the publication of the draft Core Principles for Islamic Deposit Insurance in June 2019.

Compliance to Shariah principles is complex as it affects more than just the investment of funds. In light of the fact that international guidance on Islamic deposit insurance is still being finalised, the establishment of Shariah-compliant deposit insurance fund will be an enhancement to CoDI, and it will be considered after CoDI's core functionality has been established. This would involve an assessment of whether the number and size of Islamic accounts make it feasible to develop a ring-fenced fund within CoDI for qualifying Islamic depositors and accounts, as countries such as Malaysia and Jordan have done.

Due to the current limited size of this market segment, qualifying Islamic depositors will initially be covered by CoDI, in a similar manner to traditional deposits. Most deposit insurers do not cover deposits where the capital amount is not guaranteed. Islamic savings accounts are profit-sharing accounts where the capital amount is not guaranteed (i.e. the deposit can lose value since it is invested in shares). This means that only Islamic transactional or cheque accounts operating on the Qard principle can qualify for deposit insurance coverage since the capital amount is guaranteed and

repayable at par to the qualifying depositor. These accounts will qualify for deposit insurance coverage of up to R100 000, in conjunction with all the other accounts held by the same qualifying depositor.

Item 2 – Feedback required

- a. Please provide an opinion on the proposal for the coverage of Islamic accounts.

3.3.7 Accounts combining multiple products

Several South African banks offer accounts that combine multiple products. Not all the products that are part of this type of account qualify for deposit insurance coverage.

[Example: A bank offers an account with a transactional product, savings product and share trading facility. The transactional and savings products qualify for deposit insurance coverage, but the share trading facility does not.](#)

Although these accounts are managed with a single bank card, the banks offering these products have confirmed that each different product has its own account number in the name of the depositor. The banks will be able to identify and report the qualifying accounts held by qualifying depositors separately from the non-qualifying accounts held by the qualifying depositors. Only the qualifying products held by qualifying depositors will be covered by CoDI.

If the banks offering these accounts were not able to separate the different products and their associated balances, the entire account would be disqualified for deposit insurance coverage purposes as it would contain a non-qualifying product. Therefore, to qualify for deposit insurance coverage, banks must record the balances per product using separate account numbers when multiple product types are combined into one product offering, and only qualifying accounts will be covered by CoDI.

3.3.8 Pledged deposits

When a depositor pledges a deposit as collateral for a loan, the loan provider becomes legally entitled to the funds while there is still a loan obligation. Since the pledged deposit is collateral for a loan, it will be offset against the loan (by the resolution

practitioner) and the remaining loan balance will form part of the estate of the failing bank. The depositor will remain responsible for payments on such loans after the failure of the bank. If the loan balance at the date the failing bank is closed is less than the original amount pledged as collateral, the resolution practitioner will consider the terms and conditions of the loan to determine whether the depositor can receive the netted amount.

If a qualifying depositor has fully repaid the loan for which the deposit was pledged as collateral before the resolution date, the deposit will be included in the calculation of the qualifying deposit balance for the depositor.

3.3.9 Alliance banking

Alliance banking occurs when a bank provides banking and financial services on behalf of companies that do not want to open a bank themselves. Usually, the bank maintains ring-fenced portfolios of these accounts for each of their alliance banking partners and they manage these portfolios separately for each partner. Each alliance banking customer is also a customer of the bank.

From discussions, it seems that most banks consolidate these customer portfolios for their reporting to the South African Revenue Services and the FIC as these reports require an aggregated view of each customer's portfolio with the bank, including the alliance banking account balances plus any other account balances held with the bank itself. For deposit insurance purposes, the consolidated depositor information with all the qualifying accounts will be used to determine the covered balances per depositor. Alliance banking is not a pooled or beneficiary account for deposit insurance purposes.

3.3.10 Investment accounts

Depositors use deposits to store funds for future use. CoDI will cover deposits where the capital amount is guaranteed and repayable at par to a qualifying depositor. Amounts placed with banks that are exposed to market or credit risk, with a potentially higher return than deposits, are regarded as investments and will not be covered.

Investments aim at building wealth, whereas deposits preserve funds and provide transactional capacity. Investments involve a higher risk for a higher return and the capital amount is not always guaranteed.

The following investments or instruments will not be covered by CoDI:

- derivatives;
- shares;
- indices;
- exchange traded funds;
- negotiable certificates of deposits and other bearer instruments;
- debt instruments such as bonds, debentures and securities;
- annuities;
- insurance products;
- unit trusts; and
- repurchase agreements.

3.3.11 Tax-free accounts

South African banks offer different types of tax-free accounts, namely:

- tax-free deposit accounts (traditional);
- tax-free accounts with investments in unit trusts; and
- tax-free accounts with investments in shares (traditional and Islamic).

CoDI will cover credit balances on tax-free deposit accounts. Investments in unit trusts and shares do not qualify for deposit insurance coverage as they are considered to be investment products.

3.3.12 Money market accounts

Money market (deposit) accounts are similar to deposits and have 'guaranteed' capital amounts. These accounts qualify for deposit insurance coverage.

Money market funds are investment mechanisms with a higher risk than money market accounts and can lose value. Money market funds will not qualify for deposit insurance coverage.

Item 3 – Feedback required

Based on the proposed treatment of money market deposits and money market funds:

- a. Can banks differentiate between money market deposits and money market funds?
- b. Does this classification cover relevant aspects of these products?
- c. Are there different variations of these products that should be considered in specifying the coverage rules?

3.3.13 Cash management schemes

Cash management schemes involve the sweeping (movement or transfer) of excess working capital between inter-company accounts to maximise the return on these funds. Companies can perform these transfers themselves (self-sweeping) or use a bank to do it on behalf of the group of companies. An inter-company agreement and/or agreement with a bank provides the guidelines for this functionality.

Cash management schemes could involve the transfer of funds into and between different accounts and investments, such as money-market mutual funds and negotiable certificates of deposits and securities. Since these investment products do not qualify for deposit insurance coverage, cash management schemes will not qualify for deposit insurance coverage.

3.3.14 Reward programmes

Several banks in South Africa offer reward programmes. Rewards can be earned in rand, converted to rand at the request of a bank's clients, or used for purchases at select vendors. The terms and conditions for these reward programmes differ significantly between banks and are often revocable. In addition, the value of the rewards earned can be amended by some banks at their discretion. Because of the uncertainty and inconsistency between these programmes, and the fact that the rewards do not constitute actual deposits made by client, reward programmes do not qualify for deposit insurance coverage.

Should a qualifying depositor have transferred reward balances to a qualifying account and it settled before the date of failure, the balance of this account will be included in the qualifying depositors' qualifying balance.

3.3.15 Other items

The following items will not be covered by CoDI:

- gold (including Krugerrands) and silver investments;
- Crypto-related products; and
- any items held in safety deposit boxes, including cash.

Cashier's cheques issued by a failing bank before its closure by the SARB will be covered.

3.4 Account features

Account features also have to be considered for deposit insurance coverage purposes.

3.4.1 Accrued interest

Interest-accrual practices will influence the qualifying balances of qualifying depositors. Since most banks calculate accrued interest on a daily basis, the accrued interest should then be included in qualifying balances. Accrued interest should only include interest that the depositor is irrevocably entitled to. Negative accrued interest/losses will be deducted from positive qualifying balances.

3.4.2 Account fees

Account fees are a contractual obligation of the depositor to the bank, and they end when the bank fails. The calculation of intra-month pro rata account fees for netting purposes is not usually done by banks in the normal course of business. Such calculations are more likely to have administrative costs for banks, with minimal

benefit. Therefore, the netting of outstanding account fees should be excluded from the calculation of covered balances. This is in line with international best practice.

3.4.3 Gross coverage

Coverage could be done on a gross or net basis. Gross coverage ignores any amounts that the depositor may owe the bank, while net coverage entails deducting from the deposit the amounts borrowed from the bank. As explained in the 2017 paper, coverage will be done a gross basis for administrative efficiency and also to support the financial stability objectives of CoDI.

In terms of efficiency, calculating net balances may be costly for banks and could cause delays in the pay-out process after a bank has failed. Loans are typically longer term while deposits are mostly held for shorter-term transactional purposes. Many depositors owe banks more than they have in deposits (e.g. a home loan compared to a salary deposit). Netting would result in them not receiving any payout and would defeat the purpose of a deposit insurer. With payout based on gross qualifying deposits, the value of the loans will be recovered or preserved through a liquidation or resolution process, respectively. This approach is in line with international best practice.

Similarly, should a qualifying depositor have a transactional account with a negative balance (e.g. an overdraft on a cheque account or a negative balance on a credit card account), at the reporting date, the negative balance will not be deducted from the positive qualifying balances the depositor may have in other accounts.

Example: Zintle's accounts with Bank A are reflected below.

Zintle's accounts	Balance	Qualifying balance	Covered balance
Cheque account	-R3 000	R0	R0
Home loan	-R530 000	R0	R0
Savings account	R20 000	R20 000	R20 000

Negative loan balances will not be reduced with positive deposit balances. Zintle will get R20 000 from CoDI should Bank A fails, and continue to owe Bank A's estate R533 000.

3.3.4 Temporary high balances

There are certain life events that could result in temporary high balances for affected qualifying depositors, such as:

- funds for the purchase or sale of private residential properties;
- social purpose funds linked to significant life events, including divorce settlements, retirement, dismissal or redundancy; and
- funds from the payment of insurance benefits, compensation for criminal injuries or wrongful conviction.

CoDI will provide the normal coverage level of R100 000 to any of these accounts. Due to the significant impact these life events can have for affected depositors, CoDI will prioritise research into the possibility of increased coverage for these types of temporary high balances to incorporate such proposals before the establishment of CoDI.

Item 4 – Feedback required

- a. Can banks identify accounts where these temporary high balances exist?
- b. Will the reason for the high balances be recorded by the bank?

Item 5 – Overall coverage feedback required

- a. Are there any types of depositors, accounts, account features or products that have not been discussed?
- b. Are there any accounts where the coverage proposal is not clear?
- c. Are there any accounts where you disagree with the proposals made?

4. Reporting requirements

This section focuses on the reporting of information by members of CoDI, the reporting options available to members, as well as the information fields to be reported to CoDI. As mentioned in the executive summary, a data definition and reporting

requirements paper, to be published in 2020, will provide technical specifications and guidance about submissions to CoDI. After the publication of the data definition and reporting requirements paper and the incorporation of any comments received on the paper, CoDI will issue guidelines to guide banks in assessing their systems to determine the system changes needed to provide the required information in the specified format to CoDI. The promulgation of the FSLAB will influence the timelines for reporting to CoDI, but the feedback from the banks, after the completion of the systems assessment, will be utilised in determining the phasing in of CoDI's reporting requirements.

4.1 Legal obligation on members to provide CoDI with information

In terms of the FSLAB¹⁶, members must provide CoDI with the information it requires to fulfil its mandated functions. As such, members must ensure that its officers, current and former auditors provide CoDI with any information it may require.

4.2 Confidentiality of information submitted to CoDI

All members will be required to submit personal information on qualifying depositors and accounts to CoDI. CoDI will implement appropriate measures to ensure that the processing (i.e. collection, storing and utilisation) of such data comply with the Protection of Personal Information Act 4 of 2013 (POPIA) and similar legislation applicable to foreign depositors.

The data definition and reporting requirements paper will provide members with more information on the data submission channels, governance and security controls required by members for submissions to CoDI.

4.2.1 Information-sharing with foreign DISs and other bodies

CoDI can enter into information-sharing agreements with other regulators and foreign DISs. However, CoDI must have appropriate written agreements in place to share

¹⁶ Section 166BF of the FSLAB

information and communicate effectively with these entities. Further, CoDI should inform the PA and the Resolution Authority of any cooperation agreements entered into with a foreign DIS.

CoDI may exchange the following information pertaining to a member with these entities:

- the compliance of a member to CoDI's requirements;
- information required to payout qualifying depositors; and
- problems identified by regulators or resolution authorities that may affect CoDI's exposure to a member.

4.3 Data quality and assurance

This section focuses on the various measures CoDI will use to ensure that the quality of information submitted by banks is sufficiently reliable to use when compensating qualifying depositors when a bank has failed.

4.3.1 Product register

To ensure consistency in how banks interpret the coverage rules, especially for communication to depositors, CoDI will provide general guidance in the form of discussion papers, guidance notes and secondary legislation to banks on the types of products that qualify for deposit insurance coverage as well as those that should be reported to CoDI.

Innovative product offerings are continually being developed by banks in South Africa. However, the structure as well as the terms and conditions of these products may make it difficult for banks to assess whether they qualify for deposit insurance coverage and how they should be reported to CoDI. This could influence the submission of information to CoDI as well as the public awareness obligations that the bank has¹⁷.

¹⁷ A discussion paper outlining banks' responsibilities to communicate about CoDI to its customers will be published in 2020.

Upon its establishment, CoDI will require banks to submit detailed information on products that are currently offered to qualifying depositors. Banks will also have to submit information on new products introduced or changes made to existing products. CoDI will provide guidance in this regard. The types of information that will be required include a high-level overview of the features of the product as well as its terms and conditions. CoDI will review the information submitted and decide about the coverage of these products.

CoDI will not approve products, but will only decide on their coverage. Products where the approval of the PA, National Payments Systems Department or another regulatory body is required should first be approved by these regulators before the bank submits information on the product to CoDI.

CoDI may share information on products offered by a bank with the PA, the FSCA or another relevant regulator.

4.3.2 Resubmissions

In case a material error in the information submitted to CoDI is discovered by either the bank, CoDI or a person auditing or examining the member's submissions to CoDI, the member shall correct the return and arrange for a resubmission of the affected return. Should a resubmission result in an amendment in the member's month-end total covered deposits, CoDI will have the discretion to decide whether the member shall pay/receive the amount in the case of an increase/decrease in the covered deposit balance. This decision will depend on whether this affects the latest submission by the member or whether it was an ad hoc submission.

4.3.3 Verification of submissions

CoDI will perform various systems-driven assessments to verify the quality of the deposit insurance submissions by banks. If a bank's submission fails the verification checks, the bank will need to resubmit as it would not have met CoDI's requirements. The data definition and reporting requirements paper will give more detail about these verification checks.

4.3.4 On-site examinations

All members will be subject to potential on-site examinations by CoDI. During such an examination, CoDI or a party acting on its behalf will have the right of access to the bank's systems, records and accounts. CoDI or the party acting on its behalf will have the right to require the members' staff, directors, officers, auditors, liquidators and resolution practitioners, where applicable, to provide any information it may require in the fulfilment of its mandate.

When the party appointed by CoDI to perform an examination becomes aware of any situation or information that could impact the bank's systems, records or accounts that are used for reporting to CoDI, the party must inform CoDI without delay.

All reports drafted by CoDI or the party appointed by CoDI may also be submitted to the PA.

4.3.5 Reporting concerns

Should CoDI suspects or discover that a member has breached any provisions of the FSLAB or of CoDI's standards and requirements, or if there are continuous concerns with the quality of a bank's reporting to CoDI, CoDI may submit, in writing, a report detailing the breaches or concerns to the bank's CEO and/or the chairperson of the bank's board. The report will also be submitted to the PA.

The CEO or the chairperson of the board, whoever receives the report, must:

- present the report to a meeting of the bank's board of directors within a period of one month from the date of receipt and the discussion relating to the report must be incorporated in the minutes of the meeting; and
- provide a certified copy of the minutes of this meeting to CoDI and the PA within two weeks after the meeting.

Following this meeting, the bank will have 30 days to submit a plan to CoDI, setting out how it will rectify the breaches and/or reporting issues highlighted in CoDI's report. This plan must be signed by both the CEO and the chairperson of the board. CoDI will review the submitted plan and may engage with the bank on follow-up actions to be taken to rectify the identified issues before approving the plan.

4.3.6 Changes to the system(s) used for reporting to CoDI

A bank must inform CoDI, in advance, of any intentions or plans to make material changes to the IT system(s) used for reporting to CoDI. These notifications must be accompanied by a statement by the bank on its ability to continually comply with CoDI's reporting requirements while the IT system(s) changes are being implemented.

4.3.7 Internal controls

In assessing members' internal controls for reporting to CoDI, CoDI will use periodic reviews by the banks' internal audit department or teams.

A bank's formal record-keeping system must be robust to ensure that the following information submitted to CoDI is accurate and complete, and to allow CoDI to compensate the qualifying depositors with a high degree of reliability should the reporting bank fail:

- a. information for the identification and verification of qualifying depositors;
- b. the account balances associated with each qualifying depositor (simple accounts); and
- c. identification of accounts that will require manual intervention before payout could take place (complex accounts).

A bank must have the following controls in place, as a minimum:

- a. Documentation that describes the entire set of procedures and controls in place to ensure compliance with CoDI's requirements. These procedures and controls must be embedded in the normal conduct and control systems of the affected business units, including the bank's internal audit function.
- b. Documentation that will allow an ex-post evaluation to be carried out of the process used to generate the information required for the completion of the deposit insurance submissions and of the effectiveness of the controls.
- c. A report by the bank describing foreseeable material changes to the system(s) used by the bank for reporting to CoDI or a letter confirming that no material system(s) changes are foreseen in the next 12 months.

- d. An annual opinion issued by the bank's internal audit department of the extent to which CoDI's reporting requirements are complied with.

The documentation referred to in points (a) to (c) above must be updated annually and submitted to CoDI within three months of the updated documents being finalised. Banks must submit this report to both the PA and CoDI within three months after its completion.

If a bank is unable to meet these requirements, the bank should inform CoDI and submit reasons for the non-compliance. CoDI will assess this submission and engage with the bank on the approach to follow.

4.3.8 External audit requirements

Each bank will, annually, instruct its external auditors to assess the bank's system for reporting to CoDI to ensure that CoDI's reporting requirements are met by the bank. The report prepared by the external auditor must be shared with CoDI and the PA within six months after the end of the bank's financial year-end. These assessments will be standardised for all banks and will be based on final assessment guidelines issued by CoDI. CoDI will publish the draft assessment guidelines in the following months for comment by the banking industry and external auditors.

Should CoDI require an ad hoc or interim opinion from an external auditor, the relevant bank would issue the instructions accordingly. The due date for such an opinion would be agreed between the external auditors, the bank and CoDI. Interim or ad hoc external auditor reports will be submitted to both CoDI and the PA. For ad hoc or interim opinions, the scope and depth of the audit will be negotiated between CoDI, the bank and its external auditor.

If a bank is unable to meet these requirements, the bank should inform CoDI and submit reasons for non-compliance. CoDI will assess this submission and engage with the bank on the approach to follow.

4.4 Deposit insurance submissions

This section focuses on the purpose of the deposit insurance submissions, frequency of submissions, reporting options and details of the information to be submitted to CoDI.

4.4.1 Purpose of the deposit insurance submissions

Members will be required to provide CoDI with deposit insurance submissions to be used by CoDI to:

- calculate the total covered deposit balance per member, which serves as the basis for calculating the financial contributions for each member to CoDI;
- determine the covered balance per qualifying depositor or qualifying account, which is required to calculate pay-out amounts in the event of a bank failure;
- develop a pay-out plan per member, tailored to the characteristics of the member's depositors;
- determine the maximum amount which CoDI can contribute in support of an open resolution strategy for a failing member, if requested to do so by the Resolution Authority;
- identify the qualifying depositors and their associated covered balances for purposes of a transfer of deposits from a failing bank to a healthy bank or bridge bank, if the Resolution Authority follows such a strategy; and
- provide information in support of CoDI's public awareness and communication strategies for business-as-usual times, as well as when a bank has failed.

4.4.2 Frequency of submissions

During the meetings with banks, the frequency of submissions was discussed. Most banks preferred monthly submissions to align with the current month-end reporting processes. Monthly submissions will be based on month-end balances. The submissions should be done in the manner and format specified by CoDI.

When a bank is experiencing significant difficulties and may be nearing failure, CoDI may require the bank to submit more frequently to ensure that the latest depositor

information is available to CoDI. To test this capability, even for healthy banks, a member must be able to provide CoDI with an ad hoc submission within 48 hours of receiving such a request. These submissions will test the quality and robustness of members' systems to provide the information on short notice. CoDI may extend the submission deadline beyond the required 48 hours if a formal request to that effect is made by the member and sufficient reasons are provided.

The CEO of a bank will need to confirm, on a monthly declaration developed by CoDI, that the submission meets the requirements set out by CoDI.

4.4.3 Reporting options

After the publication of the 2017 paper, many banks indicated that they would not be able to provide CoDI with depositor information on a SCV basis. Although SCV reporting will remain the preferred and default reporting requirement, an alternative granular reporting option will be made available for banks that apply and motivate their need to follow this option. The granular reporting option is intended for banks with less sophisticated systems, or those that have different systems for different branches, products and business lines, where the automatic creation of a single aggregated view per qualifying depositor by the bank itself is not possible. The granular reporting option will be a temporary concession as all banks will be expected to move to SCV reporting approach over time.

Table 4 shows the different responsibilities of members and CoDI for the granular and SCV reporting options.

Table 4: SCV versus granular reporting responsibilities

	SCV reporting	Granular reporting
Identification of simple and complex accounts	Done by the bank	Done by the bank
Identification of qualifying depositors and qualifying accounts	Done by the bank	Done by the bank

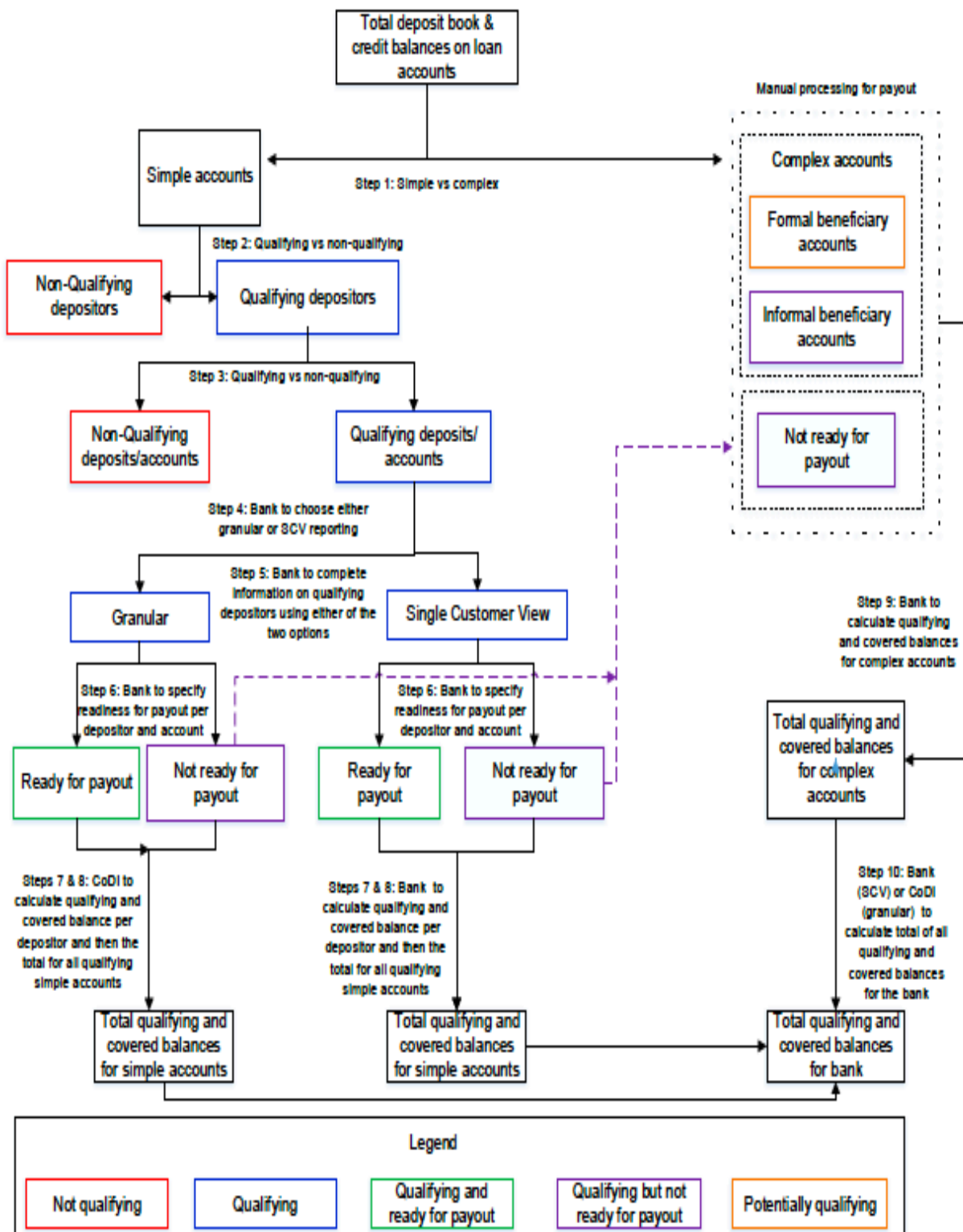
Application of the coverage rules	Done by the bank Tested by CoDI	Done by the bank Tested by CoDI
Calculation of qualifying and covered deposit balance per qualifying depositor (SCV balances)	Done by the bank Tested by CoDI	Done by CoDI Tested by CoDI
Calculation of the total covered deposits held by the bank	Done by the bank Tested by CoDI	Done by CoDI Tested by CoDI

4.5 Process to determine and report data

Figure 2 below shows an example of a process to determine data that should be reported to CoDI. As outlined in Table 4, banks reporting SCV data to CoDI will be responsible for the complete process. For banks following a granular reporting option, the final steps in the process will be conducted by CoDI.

The steps in Figure 2 can be performed in a different order – the diagram depicts one example of the possible flow of depositor information for reporting to CoDI.

Figure 2: Flow of depositor information for SCV and granular reporting options



4.5.1 Step 1: classification of accounts between simple and complex accounts

Each member needs to classify all its accounts as either simple or complex accounts. Banks will be required to submit complex accounts' information at the same time as the information on the simple accounts held by qualifying depositors.

If a bank should fail, the covered balances of qualifying depositors with simple accounts can be paid out automatically since CoDI will know who the legal owners of the funds are and what their covered balances are.

Complex accounts are accounts where the account holder is usually not the legal owner of the funds. Complex accounts can have a qualifying or non-qualifying account holder, and the underlying depositors or beneficiaries can be either qualifying or non-qualifying depositors. Manual intervention is required to determine the identities of the legal owners of the funds in complex accounts, together with their balances. This is why these accounts cannot be paid out automatically like the simple accounts.

When a bank fails, CoDI will require information from the complex account holder to:

- identify the beneficiaries to the account;
- determine whether the account and/or beneficiary qualify for deposit insurance; and
- determine the pay-out method and recipients.

Where the names of the beneficiaries are not available in advance, the balances due to the qualifying beneficiaries cannot be combined with other simple account balances held by these depositors to calculate a full SCV balance when the bank fails. Alternative methods will be used for determining the qualifying and covered balances for complex accounts.

Simple and complex accounts can be any type of product, that is, transactional accounts, savings, fixed or notice deposits. A trust account can only be a complex account.

Steps 2 to 8 below (and depicted in Figure 2) explains the potential steps to be followed by a bank for simple accounts and step 9 covers complex accounts. The process completes with step 10 that consolidates the qualifying and covered balances for simple and complex accounts.

4.5.2 Step 2: identify qualifying depositors (simple accounts)

After a member has classified its accounts as either simple or complex accounts, the member should also distinguish between those simple accounts that are held by qualifying depositors (i.e. retail and non-financial corporate depositors), and those that are held by non-qualifying or excluded depositors. Only qualifying depositors should be taken to the next step.

4.5.3 Step 3: identify qualifying accounts (simple accounts)

A member will now identify which of the accounts held by a qualifying depositor will be covered by CoDI. Non-qualifying accounts will be excluded from the next step.

4.5.4 Step 4: bank to choose between the SCV and granular reporting method (simple accounts)

A bank will need to choose one of the reporting options for reporting to CoDI. Using the SCV for some portfolios and the granular methods for other portfolios will not be allowed as it would complicate the data verification process (i.e. a bank should choose one of the two methods for its simple account submission to CoDI).

4.5.5 Step 5: completing information on qualifying depositors (simple accounts)

The qualifying depositors holding qualifying simple accounts must be identified and categorised into the following groups:

- accounts held by natural persons, that is, accounts held by one or more individuals;
- non-natural persons without legal personality, such as sole proprietors and partnerships' accounts; and
- accounts held by entities with legal personality, such as corporations and companies.

The identification of these depositors must be done using the following unique identifiers:

- **Natural persons:** national identification number or passport number;
- **Non-natural persons without legal personality:** either the company registration number or, where the business may be in the name of the owner(s), the owner(s)' national identification number or passport number;
- **Non-financial corporates:** company registration number.

Banks must complete the required information fields for each of these qualifying depositors. These requirements are outlined in paragraph 4.6.2.

4.5.6 Step 6: specifying readiness for payout (simple accounts)

Using the completed information about each qualifying depositor and account, the bank will use pre-specified depositor status or account status tags to result in one of the following outcomes:

- **Ready for payout (RFP):** The bank will classify a depositor and/or account as RFP if all the minimum information for the identification of the depositor have been completed and no depositor and/or account status tags were applied to the depositor and/or their accounts. In the event of a bank failure, these accounts will be paid out first and within 4–20 days.
- **Not ready for payout (NRP):** The payout of these accounts will not be automatic as some of the mandatory information fields to identify a qualifying depositor are not available or depositor and/or account status tags were applied to the depositor and/or accounts held by the depositor. These accounts require a level of manual intervention for payout to take place. This could include accounts by minors and legally incapacitated depositors, as well as accounts with power of attorney arrangements. More details on depositor and/or account status tags are provided in 4.6.2.

If the reporting bank should fail, only accounts marked as RFP will be paid out to the qualifying depositors within 4–20 working days. Accounts marked as NRP require manual processing and will take longer to payout.

For banks following the granular reporting approach, information will be submitted to CoDI after the completion of this step. For banks following the SCV reporting approach, the process continues to the next step.

4.5.7 Step 7: calculating the aggregated qualifying balance per qualifying depositor (simple accounts)

Banks (using the SCV reporting approach) or CoDI (for banks using the granular reporting approach) now needs to aggregate the accounts for a single qualifying depositor using the unique identifier (identity number, passport number or company registration number). A bank must be able to report individuals who are also sole proprietors twice (as two separate depositors) – once for personal accounts and once for the sole proprietors’ accounts.

All accounts, regardless of their RFP or NRP classification, will be included in the calculation of the qualifying balances for the qualifying depositor meaning that the total of the account balances for RFP and NRP accounts will be the total qualifying balance for the depositor.

4.5.8 Step 8: determine the qualifying and covered balance per qualifying depositor and for all simple accounts at the bank

The total qualifying balance for each qualifying depositor must be compared to the coverage limit of R100 000. Two scenarios are possible:

- For qualifying balances below R100 000, the full balance will be covered by CoDI. The covered balance will be equal to the qualifying balance.
- For qualifying balances above R100 000, only R100 000 will be covered by CoDI. The covered balance for these qualifying depositors will be R100 000.

After calculating the qualifying and covered balances for each qualifying simple account depositor or account holder, the bank (SCV banks) or CoDI (granular banks) must calculate the total qualifying and covered balance for all qualifying simple depositors for the bank.

An example of SCV vs granular reporting of simple accounts: the table below reflects the deposits held by Susan in Bank A:

Transactional account	R80 000	Qualifying product
Investment account	R20 000	Not qualifying

Tax-free deposit account	R30 000	Qualifying product
Fixed deposit	R25 000	Qualifying product

A simplified SCV report for Susan will be as follows – please note that only qualifying accounts are listed in the SCV report:

Susan	Transactional account	R80 000
	Tax-free deposit account	R30 000
	Fixed deposit	R25 000
	Total qualifying balance	R135 000
	Total covered balance	R100 000

A granular reporting bank will submit each qualifying account separately.

Susan	Transactional account	R80 0000
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Susan	Tax-free deposit account	R30 000
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Susan	Fixed deposit	R25 000
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This information will be submitted to CoDI. CoDI will then develop a SCV report similar to that submitted by a SCV reporting bank.

Susan	Transactional account	R80 000
	Tax-free deposit account	R30 000
	Fixed deposit	R25 000
	Total qualifying balance	R135 000
	Total covered balance	R100 000

4.5.9 Step 9: calculating the qualifying and covered balances for each complex account and for all complex accounts at the bank

The calculation of qualifying and covered balances for complex accounts is different for formal and informal beneficiary accounts.

a. Formal beneficiary accounts

Banks using the SCV approach can choose one of the three listed calculation options to calculate the qualifying and covered balance for each complex account. Banks that prefer the granular reporting approach must report the full amount (option 3) for qualifying and covered balances per account.

The options for SCV banks are ranked according to CoDI's preference for full SCV reporting. Ultimately, the information available to the bank will determine the options available to the bank. A different approach could be followed for each formal beneficiary account and the approach chosen will depend on the information available to the bank about the ultimate beneficiaries of the account.

A bank's internal and/or external auditors will be required to verify the bank's choice of these options for a sample of accounts to ensure that banks select the option based on the information available.

- **Option 1:** If a bank has identified all the beneficiaries of a formal beneficiary account, together with their associated balances in this account, the bank can apply the SCV principles and report only the balance these beneficiaries are entitled to after taking into consideration the balances of their simple accounts' covered balances. This means, if a qualifying depositor's covered balances for simple accounts have not amounted to R100 000, the difference between the coverage level of R100 000 and the simple account covered balance will be available for inclusion as a covered deposit balance for the formal beneficiary account.
- **Option 2:** If a bank is able to identify the beneficiaries, together with the percentage/amount each beneficiary is entitled to, it can include the amount per beneficiary up to the coverage limit without considering any other qualifying

balances the beneficiary may have at the same bank (i.e. the bank does not have to consider a SCV perspective for the formal beneficiaries accounts even if it is able to report SCV for simple accounts).

- **Option 3:** If the bank does not have the information required for any of the two options above, the full amount for the formal beneficiary account should be included as qualifying deposit balances.

The following example will show the calculations for these calculation alternatives.

This table shows the balances recorded in the bank's systems. These three depositors are the only beneficiaries of the formal beneficiary account.

Depositor	Simple account balances	Portion of the formal beneficiary account due to this depositor
Depositor A	R120 000	R15 000
Depositor B	R10 000	R110 000
Depositor C	R30 000	R50 000
		R175 000

The table below shows the outcome of these alternative calculation options for the reporting of the formal beneficiary account listed above.

Formal beneficiary account holder	Option 1	Option 2	Option 3
<i>Calculation method</i>	<i>Full SCV: consider simple account balances before applying the R100 000 coverage limit</i>	<i>Amount in the formal beneficiary account per beneficiary (up to R100 000)</i>	<i>Full amount</i>
Depositor A	R0	R15 000	Unknown to bank
Depositor B	R90 000	R100 000	Unknown to bank
Depositor C	R50 000	R50 000	Unknown to bank
Total for formal beneficiary account (amount to be reported)	R140 000	R165 000	R175 000

For granular banks, the qualifying and covered balances will be the same. For SCV banks, the qualifying balance for formal beneficiary accounts will be the full account balance. The covered balances will be based on the outcome of the calculation above. The actual covered balance per beneficiary will be determined after the account holder has provided the required details to CoDI in the event of a bank failure and by considering any simple account covered balances the beneficiary may have.

Each formal beneficiary account must be reported as it is unlikely that there will be multiple accounts held by the same account holder with exactly the same beneficiaries. More details about the reporting requirements for formal beneficiary accounts are provided in paragraph 4.6.3.

b. Informal beneficiary accounts

Each informal beneficiary account will be covered up to R100 000¹⁸. Reporting to CoDI will be based on the name of the stokvel (i.e. the account holder of these accounts). If there are two stokvels with the same name, the signatories must be the same otherwise these two stokvel accounts will be considered as separate accounts and account holders.

There are two possible outcomes:

- If the qualifying account balance is below the coverage limit, the full account balance will be covered and will be reported as the covered balance for the account.
- If the qualifying account balance is above the coverage limit, the covered balance for the account will be R100 000.

SCV reporting banks could provide an aggregated balance for multiple accounts held by the same account holder (stokvel name) of an informal beneficiary account, such as a stokvel, as long as the signatories are the same. Granular reporting banks will provide submissions for each account without aggregating it to a specific account holder. Further details are provided in 4.6.4.

¹⁸ If multiple accounts are held by the same informal beneficiary account holder, coverage would be up to R100 000 for the combined value of all accounts held by the same account holder.

After calculating the qualifying and covered balances for each complex account, the bank must calculate the total qualifying and covered balance for all complex accounts at the bank.

4.5.10 Step 10: calculating the covered deposit balance per bank

The sum of all qualifying and covered balances for qualifying simple accounts must be added to the calculated qualifying and covered balances for all complex accounts (formal beneficiary accounts plus informal beneficiary accounts) to calculate the total qualifying and covered (deposit) balance per bank. This amount is important as all financial contributions by banks to CoDI are percentages of this amount.

Item 6 – Feedback required

There are different variations of the above process. The purpose is to illustrate one possible set of steps banks can follow in the completion of deposit insurance submissions to CoDI.

- a. Is the difference between granular and SCV reporting clear?
- b. Are there any specific aspects of the reporting options that need clarification?

4.6 Information to be submitted to CoDI

This section focuses on the depositor's (for simple accounts) and account holder's (for complex accounts) information to be submitted by banks to CoDI. The information CoDI requires is determined by the pay-out methods it intends to use when a bank fails. CoDI will have several pay-out mechanisms in place, each requiring a combination of generic and specific information¹⁹.

Banks only need to provide information on qualifying depositors, that is, retail and non-financial corporates for simple accounts. However, as previously pointed out, the

¹⁹ More detail on payout and pay-out mechanisms will be published in a separate discussion paper in 2020.

account holder of a complex account may be a non-qualifying depositor who administers the account on behalf of qualifying and non-qualifying beneficiaries. For complex accounts, information about the account holder has to be provided.

Information requirements will differ among the following categories of accounts:

- simple accounts held by qualifying depositors;
- formal beneficiary accounts held by qualifying and/or non-qualifying account holders; and
- informal beneficiary accounts.

Submissions will be based on the above classification of each account, i.e. simple accounts will not require the completion of the formal beneficiary account or informal beneficiary account information. Likewise, a formal beneficiary account will not require the submission of the simple account or informal beneficiary account information.

The information fields specified in this document are proposals for banks to comment on in terms of the appropriateness and availability of these fields. Banks should also provide details of additional information fields to be considered. Information fields have been numbered for ease of reference.

After considering comments from banks on this paper, a data definition and reporting requirements paper will be published to provide the final information fields and indicate mandatory versus optional fields, and logical and conceptual data models to guide banks on a more technical level. This document will also provide details of the format for information submissions to CoDI.

4.6.1 Reliability of identification – minimum identifiers

For each qualifying depositor, members must supply information containing a combination of details to identify a depositor with certainty. Certainty can be established by combining reliable personal details in a variety of ways. If crucial information is missing from a combination of identifying factors, such as errors in the identity number (ID) or a missing or different surname, the depositor's identity cannot be established with certainty.

Sole proprietors may not have a company registration number. For accounts where the business may be in the name of the owner(s), the owner(s)' national identification

number(s) or passport number(s) can be used. Individuals who have both personal accounts and a sole proprietor's account are covered twice (up to R100 000 for personal deposit balances and another R100 000 for a business account). All members need to ensure that individuals' personal and business accounts can be differentiated.

A qualifying depositor who is a natural person can be reliably identified if the following minimum identifiers, as listed in Table 5, can be provided.

Table 5: Minimum identifiers for natural persons

Full first names (up to four)	Surname
Date of birth	National identity number/passport number (if expired, the depositor has not been identified reliably)
Nationality	

Natural persons without legal personality will require the minimum identifiers, as indicated in Table 6 below.

Table 6: Minimum identifiers for non-natural persons without legal personality

Registered name/name and surname of natural person(s)/company name	Company registration number/Identity number if no company registration number (South African or foreign)
Country of registration	

For non-natural persons with legal personality (that is, legal entities) the minimum identifiers indicated in Table 7 must be provided.

Table 7: Minimum identifiers for legal entities

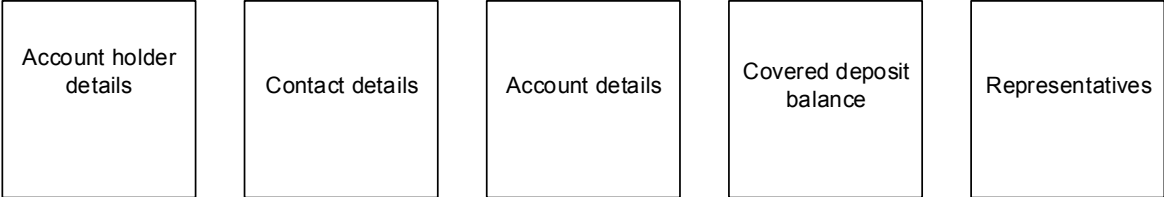
Registered name	Company registration number (South African or foreign)
Tax number	Country of registration

4.6.2 Simple accounts information

Simple accounts are accounts in the name of a qualifying depositor who is also the legal owner of the funds. As such, the identity of the depositor is known in advance as it would have been verified and recorded by the bank when the account was opened.

A high-level overview of the information required for each qualifying simple account is shown in the Figure 3 below.

Figure 3: Overview of the information requirements for qualifying simple accounts



If a qualifying simple account holder or depositor has more than one qualifying simple account, the account details will be submitted once for each account held, but the account holder details and contact details will only be submitted once. The qualifying balance for this depositor will be based on the aggregated amount of all of the qualifying accounts. The depositor and contact details will only be submitted once since the details remain the same for all the qualifying accounts.

a. Depositor details

CoDI will require the following details of the account holder of simple accounts. With simple accounts, the account holder is the depositor and the legal owner of the funds in the account.

Table 8: Proposed depositor details for simple accounts

Field number	Field name	Note
1	Initials	The depositor's initials.
2	Full first names	Banks will be required to provide up to four first names for a depositor that is a natural person.

3	Surname	The individual depositor's last name.
4	Previous names and surnames	The depositor's birth name and/or previous surnames.
5	Business name	If the qualifying depositor is a business, the business name must be reported here. For sole proprietors where the business does not have a business name, the first name and surname of the owner should be used.
6	Date of birth	The individual depositor's date of birth
7	Gender	The individual depositor's gender
8	Nationality	The individual depositor's registered nationality should be completed here. For businesses, this would be the country of registration or incorporation.
9	National ID number	South African ID numbers
10	Passport number	Depositors' passport number
11	Expiration date of passport	The date on which the passport expires
12	Company registration number	For business entities, the company registration number must be provided. For sole proprietors, this could be a personal identity number. For foreign companies, it should be the foreign company registration number.
13	Other identifiers	The bank should indicate what type of document has been used to identify the depositor. Choices are: <ul style="list-style-type: none"> • Foreign national ID card • Driver's licence (local or foreign) • Residence permit • Taxation number (local or foreign) Multiple identifiers can be chosen.
14	Other identifying number	The number relating to the other identifier used above.
15	Language(s)	The depositor's preferred language(s) for communication, if available. Multiple languages can be provided.

16	Preferred branch	The bank branch used by the depositor, if available. This field could be left blank for digital banks or banks where branch details are not recorded. Multiple branches can be indicated, if applicable.
17	Communication preferences tag	These tags will provide information about communication preferences for qualifying depositors with special needs. This could include tags for braille, large print and audio communication only. These preferences are important for how CoDI communicates to the depositors.
18	Competency tag	Banks will choose one or more of the following tags: minor, legally incapacitated or power of attorney or not applicable. This tag applies to natural persons. If any of these tags are chosen, one or more representative's information (Table 12) will need to be provided.
19	Legal personality tag	This tag will indicate whether the non-natural/business depositor has legal personality or not. For those with legal personality, the representative's information (Table 12) will need to be provided.
20	Depositor status tags	<p>These tags will indicate whether there are any of the following restrictions on the depositor:</p> <ul style="list-style-type: none"> • money-laundering conviction; • legal dispute; • attachment by a sheriff; • sanctions or foreign blocking; and • suspicion of fraud. <p>Any of these tags will result in all the accounts held by this depositor being treated the same as the tag applies to the depositor and not a specific account only.</p>
21	Reliability of identification	<p>The bank must indicate whether the identification of the depositor has been done reliably, in accordance with the minimum identification criteria provided by CoDI. Depositors not identified reliably will be classified as NRP and payout may be delayed in the event of a bank failure.</p> <p>Banks with a high number of items where the identity of a depositor could not be reliably determined will be required to improve their data quality to identify depositors more reliably.</p>

Item 7 – Feedback required

- a. Are banks able to distinguish between an individual’s personal and sole proprietor accounts? If so, on what basis is this distinction made? For example, must the sole proprietor account be a business banking account or do banks use different methods?
- b. Can banks report on first names and surnames separately or should it be combined into one field requiring both first names and surname?
- c. Do banks collect passport numbers for South African clients in addition to their ID numbers?
- d. What types of tags for communication preferences should be added to the list of braille, large print and audio communication?
- e. Are there any of these information fields that banks will have particular difficulties to provide? Please motivate.
- f. Are there any additional information fields that should be added?
- g. Do banks require additional explanations for the completion of any of these information fields?

b. Contact details

Banks will have to provide the contact details for the qualifying simple account holder(s). CoDI will require the information fields in Table 9 below.

Table 9: Proposed requirements – contact details for qualifying simple account holders

Field number	Field name	Note
1	Telephone number	Banks will need to provide at least one telephone number. This could be the work, home or cellphone number. If more telephone numbers are available, the bank should provide all.
2	Email address	This will be an optional field.
3	Address	For natural persons, this should be their residential address. For businesses, this would be the business address. The address can be completed in a structure or unstructured manner to cater for addresses in informal settlements and normal addresses in suburbs or towns.

		The address must include a town, suburb or township and a postal code.
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Item 8 – Feedback required

- a. Do banks collect multiple addresses for a single depositor? For example, if a depositor has a permanent address where he lives, but he also has a temporary address since he works in another province part of the year?
- b. Will the banks have difficulty in providing any of these information fields? Please motivate.
- c. Are there any other information fields that should be added?

c. Details of account(s)

CoDI will need information on all the qualifying accounts held by each qualifying simple account holder.

Table 10: Proposed information requirements on qualifying simple accounts

Field number	Field name	Note
1	Account name	The description of the account – this should be the bank's default name for the account if the depositor has never changed it or the name chosen by the depositor (if the bank allows for this). It is important that the depositor is familiar with this name.
2	Product name	The name used by the bank for the specific product, for example, tax-free savings account.
3	Product type	Banks will need to categorise each qualifying account into one of the following buckets: <ul style="list-style-type: none"> • Transactional accounts • Savings accounts (available on demand) • Notice deposits • Term deposits • Credit card • Loan accounts

		<ul style="list-style-type: none"> • Voluntary shares with cooperative banks • Other
4	Account number	Account number in the bank's records.
5	Joint account tag	This tag must be used only if the account is a joint account where there are multiple account holders.
6	Number of account holders	The number of account holders for a joint account only. It could be 02, 03, 04, ... n – depending on the number account holders. This should not include signatories to the account, just account holders.
7	Percentage split	This only applies to joint accounts. The percentage due to the specific qualifying depositor should be indicated here. If no specific ratio was requested by the account holders, it will be 100/number of account holders. Percentages must be rounded to two decimal places.
8	Last transaction date	Banks should report the date of the last transaction on each account. This would give CoDI an indication of when last the account was used. Payout of inactive and dormant accounts may be delayed if the bank should fail and the contact details for the depositor is outdated.
9	Currency of account	Currency in which the account is held.
10	Original account balance in original currency before accrued interest	<p>Only the balance should be included and not the currency symbols.</p> <p>For joint accounts, this would be the full balance before the appropriation between the account holders.</p> <p>Balances must be rounded to two decimal places.</p> <p>Negative balances must be preceded by a minus (-).</p>
11	Total account balance in original currency after accrued interest	<p>Only the balance in the relevant currency should be included and not the currency symbols.</p> <p>For joint accounts, this would be the full balance after accrued interest but before the appropriation between the account holders.</p> <p>Balances must be rounded to two decimal places. Negative balances must be preceded by a minus (-).</p>

12	Exchange rate	The exchange rate used to calculate the rand (ZAR) balance. This must be the ratio of one ZAR to the currency of the account.
13	Pledged amount	Balance that has been pledged.
14	Qualifying balance for the depositor in ZAR. This is the account balance attributable to the depositor after accrued interest.	<p>This is the end of day balance on:</p> <ul style="list-style-type: none"> • the month-end to which the submission relates; or • the date of the request by CoDI for an ad hoc submission. <p>If there was a pledged amount, the pledged amount must not be included as only unpledged amounts should be included here.</p> <p>For joint accounts, the balance reflected here should be only the portion for the specific depositor whose details are being provided.</p> <p>This balance should include accrued interest.</p> <p>Account fees must also not be deducted from this balance.</p> <p>Balances must be rounded to two decimal places. Negative balances must be preceded by a minus (-).</p>
15	Account status tags	<p>These tags will indicate whether any of the following restrictions apply to the account:</p> <ul style="list-style-type: none"> • legal dispute; • voluntary shares with cooperative bank; and • pledged account. <p>These tags will only apply to the account that has been tagged. For example, there may be a legal dispute relating to one account of a qualifying depositor. This one account will be tagged with the relevant account status code, but the other accounts held by the same depositor will not be tagged as the same tag does not apply to them.</p>
16	Readiness for payout	<p>Banks will be able to choose from the following categories:</p> <ul style="list-style-type: none"> • RFP without manual intervention • NRP requiring manual intervention

		<p>A depositor and account can only be RFP if no depositor or account status tags were added and the depositor has been reliably identified.</p> <p>An account must be NRP if any depositor or account status tags were used or if the minimum fields for the identification have not been provided. NRP accounts will be paid out after RFP.</p>
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i. Credit card accounts

Credit card account details must be provided for each qualifying simple account depositor, regardless of the balance. Credit cards could potentially be a pay-out channel when a bank fails as most South Africans have multiple credit cards at different banks.

Item 9 – Feedback required

Based on discussions with industry experts, credit cards should not be used as the default pay-out channel as payments made into credit cards may take a few days, and not all banks have the capability to process payments to credit cards. For depositors that are overdue on their credit card accounts, withdrawing payments made into these accounts may not be possible.

- a. Please provide views on the use of credit cards at another bank to payout depositors' covered balances when a bank fails.

ii. Joint accounts

Here is an example of how a joint account should be reported to CoDI.

If there is a joint account between Depositors A, B and C with no specific split requested by them and recorded by the reporting bank, each of these depositors will get 33.33% of the account balance. In the percentage split item (line 7), 33.33 would be reported. The full amount for the account will be reported in the original account balance before accrued interest/profit (line 10) and total account balance in original currency after accrued interest/profit (line 11). In the account balance attributable to

the depositor (line 14), the balance due to the specific account holder should be reported (that is, 33% of the total account balance (line 11) is reported in line 14).

iii. Foreign currency deposits

Foreign currency deposits will be converted to ZAR when reporting the account balance to CoDI. Banks can use the daily exchange rate published on the SARB's website below:

<https://www.resbank.co.za/Research/Rates/Pages/SelectedHistoricalExchangeAndInterestRates.aspx>

Item 10 – Feedback required

The SARB website does not list all exchange rates.

- a. Are there any exchange rates that should be added to this website to assist banks for reporting to CoDI?

iv. Unsettled balances

Payments that had been made but not yet settled must be included in the account balances reported to CoDI. Any unsettled payments made to the qualifying depositor should be included in the relevant account balance. Likewise, any unsettled payment made by the qualifying depositor should be deducted from the depositor's relevant account.

v. Depositor and account status codes

The account and depositor status codes can be explained as follows:

- **Legal disputes:** Accounts against which there is a legal dispute. To classify accounts as legally disputed, the bank should have received a formal notice of a legal dispute or competing claims on the balances in the account.
- **Money-laundering conviction:** Depositors who have been criminally convicted for money laundering.

- **Attachment:** Depositor with accounts that have been attached by a sheriff.
- **Pledged deposits:** Deposits that have been pledged, fully or partially as collateral for a loan.
- **Sanctions or foreign blocking:** Accounts that have been subjected to restrictive measures by national governments or international bodies, including restrictions due to terrorism or sanctions. These restrictive measures are usually linked to the depositor and will apply to all accounts held by the depositor. All the accounts of the individual will have to be reported as NRP accounts.
- **Suspicion of fraud:** If an individual is suspected of fraud by the bank, all the accounts in the name of this depositor will be reported as NRP accounts.
- **Voluntary shares with a cooperative bank:** Only voluntary shares that are not loss-absorbing will be covered by CoDI. When an account has been tagged as a voluntary share, the payout of this account will be delayed until CoDI can verify the loss-absorbing nature of the voluntary shares.

Examples of how account tags affect accounts' readiness for payout:

- A qualifying depositor can have a savings account in his/her name and a joint account with another depositor, with the claims to the balances in the joint account subject to a dispute. In this case, the joint account should be reported as an NRP account, while the savings account that is undisputed will be reported as an RFP account.
- A qualifying depositor can have three undisputed accounts and one legally disputed account. The undisputed accounts will be reported as RFP accounts and the legally disputed account will be reported as an NRP account.
- Where there is an outstanding charge against the depositor for money laundering, but there has been no conviction, the depositor and all their accounts will be tagged as NRP accounts with a legal dispute classification.
- Should a qualifying depositor have been sanctioned, the depositor will have the same sanction status codes for all of the accounts listed under his/her identity number. It is impossible for the qualifying depositor to be sanctioned for some accounts, but not for others.

Item 11 – Feedback required

- a. Will banks have difficulty in providing any of the information fields required?
- b. Are there any other information fields that should be added?
- c. Are the purpose, treatment and outcome of the account tags clear?

d. Covered deposit details

An SCV bank or CoDI, for granular reporting banks, will have to calculate the total qualifying balance per qualifying simple account depositor before determining the covered deposit balance for each simple account depositor.

Table 11: Covered balance for simple accounts

Field number	Field name	Note
1	Qualifying deposits – NRP	<p>All qualifying balances (in ZAR) for each qualifying depositor that have been classified as NRP should be listed here, in the following order:</p> <ul style="list-style-type: none"> • Transactional accounts • Savings accounts (available on demand) • Notice deposits • Term deposits • Credit card • Loan accounts • Voluntary shares with cooperative banks • Other <p>Negative balances should be reported as zero (0). If no depositor or account status tags were used, this field could be left empty.</p>
2	Qualifying deposits – RFP	<p>All qualifying balances (in ZAR) for each qualifying depositor that have been classified as RFP should be listed here, in the following order:</p> <ul style="list-style-type: none"> • Transactional accounts • Savings accounts (available on demand)

		<ul style="list-style-type: none"> • Notice deposits • Term deposits • Credit card • Loan accounts • Other <p>Negative balances should be reported as zero (0).</p>
3	Aggregate amount of qualifying deposits	The total of all the accounts listed above (both NRP and RFP).
4	Covered deposit balance	The amount, in ZAR, that the depositor is entitled to receive after the application of the covered limit. If the total of the NRP and RFP is equal to or above R100 000, the amount reported here would be R100 000. If the total was below R100 000, the actual amount would be reported here. Negative balances should be reported as zero (0).

e. Representative details

Table 12 below indicates what must be completed for any qualifying depositor tagged as a minor or as legally incapacitated, as well as for entities (with or without legal personality) where the interests of the depositor are administered by a representative.

Table 12: Proposed representative details for simple accounts

Field number	Field name	Note
1	Simple account depositor's identity number	The individual depositor's identity number or the company registration number in the case of a company or legal entity.
2	Number of representatives	Multiple representatives could exist – information on all representatives would be required.
3	ID number(s) of representative(s)	The representatives' unique ID or passport number for individuals, or company registration number in the case of a company or legal entity.
4.	Type of representation tag	The tag refers to whether the representative can act alone or whether more than one representative have to act collectively – this would have been specified when the account was opened.

5	Initials	Only applicable to representatives that are natural persons.
6	Full first names	Only applicable to representatives that are natural persons.
7	Surname	The surname of a representative that is a natural person. For representatives that are legal entities or companies, the name of the entity can be provided.
8	Telephone number	Banks will need to provide at least one telephone number. This could be the work, home or cellphone number.
9	Email address	This will be an optional field.
10	Address	For natural persons, this should be their residential address. For businesses, this would be the business address. The address can be completed in a structured or unstructured manner to cater for addresses in informal settlements and normal addresses in suburbs or towns. The address must include a town, suburb, township and a postal code.

Item 12 – Feedback required

- a. Are representatives normally appointed per depositor or per account held by a depositor or are both options possible?
- b. Are there any of the information fields that banks will find difficult to provide?
- c. Are there any other information fields that should be added?

f. Calculation of the total covered balance for simple accounts

Table 13 below summarises the total qualifying and covered balances for all simple accounts to assist with calculating the total covered (deposit) balance for a member.

Table 13: Covered balance for all simple accounts

Field number	Field name	Note
1	Qualifying balance	The total of the qualifying balances (in ZAR) for all simple accounts should be reported here.

2	Covered balance	The total of the covered balances reported (in ZAR) for all simple accounts should be reported here.
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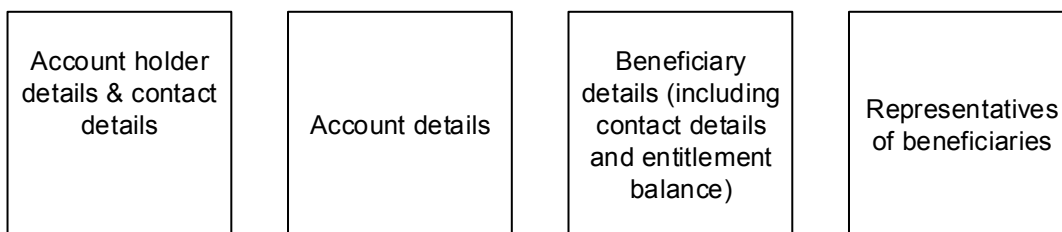
4.6.3 Formal beneficiary accounts

The account holder of a formal beneficiary account may be either a qualifying or non-qualifying depositor, while the underlying beneficiaries could also be qualifying and/or non-qualifying depositors. Based on the discussions with banks, most banks do not record the identities of the ultimate beneficiaries of these accounts when the account holder is an accountable institution. According to the survey on pooled accounts conducted in August 2019, some banks have started identifying the details of the ultimate beneficiaries as well as their associated balances. CoDI's information requirements for these accounts should therefore allow for both situations. When the details of the ultimate beneficiaries are not recorded by the bank, CoDI will have to manually obtain the required information from the account holder when a bank fails. This will delay the pay-out process to these beneficiaries when the bank fails.

Formal beneficiary accounts do not include the own accounts of attorneys, estate agents or other third-party account holders, but only those where funds from customers are held by the attorney or account holder on the behalf of the customers.

A high-level overview of the information required for formal beneficiary accounts are shown in Figure 4 below.

Figure 4: Overview of the information required for formal beneficiary accounts



a. Identifying the formal beneficiary account holder

The information requirements for these accounts are similar to those of simple accounts. The account holder of a complex account is not usually the beneficiary of the account, but a representative for the beneficiaries. This means that the account

holder will not be paid out if a member fails – members would therefore need to submit fewer details for the identification of the account holder of a formal beneficiary account.

If the account holder administers more than one formal beneficiary account, a separate information would need to be submitted for each account as the ultimate beneficiaries will most likely be different.

Table 14: Identification and contact details of the account holder to a formal beneficiary account

Field number	Field name	Note
1	Account holder's ID number	The account holder's unique ID or passport number if it is an individual. The company registration number in the case of a company or legal entity.
2	Initials	
3	Forename	Only applicable to representatives that are natural persons.
4	Surname	The surname of the account holder that is a natural person. For account holders that are legal entities or companies, the name of the entity can be provided.
5	Telephone number	Banks will need to provide at least one phone number. This could be the work, home or cellphone number.
6	Email address	This will be an optional field.
7	Address	For natural persons, this should be their residential addresses. For businesses, this would be the business address. The address can be completed in a structured or unstructured manner to cater for addresses in informal settlements and normal addresses in suburbs or towns. The address must include a town, suburb, township and a postal code.
8	Communication preferences tag	These tags will provide information about communication preferences for the account holder with special needs. This could include tags for braille, large print and audio communication. These preferences are important in how CoDI communicates to these account holders.

9	Competency tag	If the account holder is competent, no tag will be reported. Banks will choose one or more of the following tags: minor, legally incapacitated or power of attorney. This tag applies to natural persons. If any of these tags are chosen, one or more representative's information (Table 17) will need to be provided.
10	Legal personality tag	This tag will indicate whether the non-natural/business depositor has legal personality or not. For those with legal personality, the representative's information (Table 17) will need to be provided.
11	Account holder status tags	<p>These tags will indicate whether there are any of the following restrictions on the account holder:</p> <ul style="list-style-type: none"> • money-laundering conviction; • legal dispute; • attachment by a sheriff; • sanctions or foreign blocking; and • suspicion of fraud. <p>Any of these tags will result in all the accounts held by the account holder to be treated the same as the tag applies to the account holder and not a specific account only.</p>
12	Reliability of identification	<p>The bank must indicate whether the identification of the account holder has been done reliably, in accordance with the minimum identification criteria provided by CoDI. Account holders not identified reliably will be classified as NRP.</p> <p>Banks with a high number of items where the identity of an account holder could not reliably be determined will be required to improve their data quality.</p>

b. Formal beneficiary account details

CoDI will require the information as indicated in Table 15 for formal beneficiary accounts. If a formal beneficiary account holder has multiple accounts, the information for each account should be provided as the beneficiaries are likely to differ between accounts.

Table 15: Formal beneficiary account details

Field number	Field name	Note
1	Account name	The description of the account — this should be the bank's default name for the account if the account holder has never changed it or the name chosen by the account holder (if the bank allows for this). It is important that the depositor will be familiar with this name.
2	Product name	The name used by the bank for the specific product
3	Product type	Banks will need to categorise each qualifying account into one of the following buckets: <ul style="list-style-type: none"> • Transactional accounts • Savings accounts (available on demand) • Notice deposits • Term deposits • Credit card • Loan accounts • Other
4	Account number	Account number in the bank's records.
5	Number of beneficiaries (if known)	The number of underlying beneficiaries/depositors to the account, if available.
6	Last transaction date	Banks should report the date of the last transaction on each account.
7	Currency of account	Currency in which the account is held.
8	Original account balance in original currency before accrued interest/profit	Only the balance should be included and not the currency symbols. Balances must be rounded to two decimal places. Negative balances must be preceded by a minus (-).
9	Total account balance in original currency after accrued interest/profit	Only the balance in the relevant currency should be included and not the currency symbols. Balances must be rounded to two decimal places. Negative balances must be preceded by a minus (-).

10	Pledged amount	Balance pledged
11	Exchange rate	The exchange rate used to calculate the ZAR balance. This must be the ratio of ZAR to the currency of the account.
12	Total account balance in ZAR – this is the qualifying balance for the account	<p>This is the end of day balance on:</p> <ul style="list-style-type: none"> • the month-end to which the submission relates; or • the date of the request by CoDI for an ad hoc submission. <p>This balance should include any accrued interest and/or profit.</p> <p>If a pledged balance was reported, it should not be included here. Only the unpledged amount should be reported here.</p> <p>Account fees must also not be deducted from this balance.</p> <p>Balances must be rounded to two decimal places. Negative balances must be preceded by a minus (-).</p> <p>If there was a pledged amount, the pledged amount should be included here.</p> <p>The qualifying balance for both SCV and granular banks would be the full account balance.</p>
13	Covered balance	The balance calculated using the options outlined in 4.5.9. For granular banks, this would be the full account balance.
14	Method of calculating covered balance	The bank should indicate which of the options discussed in 4.5.9 it has chosen for this specific account.
15	Account status tags	<p>These tags will indicate whether there are any of the following restrictions on the account:</p> <ul style="list-style-type: none"> • legal dispute; • money-laundering conviction; • attachment by a sheriff; • pledged account; • sanctions or foreign blocking; and • suspicion of fraud.
16	Readiness for payout	<p>Banks will be able to choose from the following categories:</p> <ul style="list-style-type: none"> • RFP

		<ul style="list-style-type: none"> • NRP <p>An account must be NRP if any account holder or account status tags were used or if the minimum fields for the identification have not been provided.</p> <p>Complex accounts that are RFP will not be paid out automatically, but will be influence the order of priority of these accounts in payout, that is, NRP complex accounts will be processed for payout after RFP complex accounts.</p>
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c. Details of the ultimate beneficiaries

As mentioned before, there are some categories of formal beneficiary accounts where some banks record the details of the beneficiaries. Information on these beneficiaries should be reported if the bank collects this information.

Qualifying and non-qualifying depositors could be the beneficiaries of a formal beneficiary account, but only qualifying beneficiaries' details need to be provided. The information required is the same as for qualifying depositors holding simple accounts. A separate table will need to be completed for each beneficiary.

Table 16: Formal beneficiary accounts: beneficiary details

Field number	Field name	Note
1	Initials	The beneficiary's initials.
2	Full first names	Banks will be able to provide up to four first names for a depositor that is a natural person.
3	Surname	Individual beneficiary's last name. If the qualifying beneficiary is a business, the business name must be reported here. For sole proprietors where the business does not have a business name, the first name and surname of the owner should be used.
4	Previous names and surnames	The beneficiary's birth name and/or surname.
5	Business name	The business name if the beneficiary is a business.

6	Date of birth	The individual beneficiary's date of birth.
7	Gender	The individual beneficiary's gender.
8	Nationality	The individual beneficiary's registered nationality should be completed here. For businesses, this would be the country of registration or incorporation.
9	National ID number	South African ID numbers.
10	Passport number	Foreigners' beneficiary passport number.
11	Expiration date of passport	The date on which the foreigner's passport expires.
12	Company registration number	For business entities, the company registration number must be provided. For sole proprietors, this would be a personal ID number. For foreign companies, it should be the foreign company registration number.
13	Other identifiers	The bank should indicate what type of document has been used to identify the beneficiary. Choices are: <ul style="list-style-type: none"> • foreign national identity document or card; • driver's licence (local or foreign); • residence permit; or • taxation number (local or foreign). Multiple identifiers can be chosen.
14	Other identifying number	The number relating to the other identifier used above.
15	Language(s)	The beneficiary's preferred language(s) for communication, if available. Multiple languages can be provided.
16	Communication preferences tag	These tags will provide information about communication preferences for qualifying beneficiaries with special needs. This could include tags for braille, large print and audio communication only. These preferences are important in how CoDI communicates to these beneficiaries.
17	Vital status tag	This tag shows whether the individual beneficiary is alive or deceased. All balances in the name of a deceased beneficiary will be marked as NRP under the accounts table.
18	Preferred branch	The bank branch used by the beneficiary, if available. This field could be left blank for digital banks or banks where

		branch details are not recorded. Multiple branches can be indicated, if applicable.
19	Competency tag	This tag indicates whether the beneficiary is qualified to act in his/her own capacity and only applies to natural persons. If the beneficiary is tagged as not competent due to being a minor or legally incapacitated person, a representative's information will have to be provided.
20	Legal personality tag	This tag will indicate whether the non-natural/business depositor has legal personality or not. For those with legal personality, the representative's information will have to be provided.
21	Reliability of identification	The bank must indicate whether the identification of the depositor has been done reliably, in accordance with the minimum identification criteria provided by CoDI. Accounts where the identification is not done in accordance with the minimum requirements by CoDI will be classified as NFP and payout may be delayed in the event of a bank failure. Banks with a high number of items where the identity of a depositor could not reliably be determined will be required to improve data quality to improve the reliable identification of depositors.
22	Entitlement balance, including accrued interest	The portion of the formal beneficiary account balance that the qualifying depositor is entitled to.
23	Telephone number	Banks will need to provide at least one telephone number. This could be the work, home or cellphone number.
24	Email address	This will be an optional field.
25	Address	For natural persons, this should be their residential address. For businesses, this would be the business address. The address can be completed in a structure or unstructured manner to cater for addresses in informal settlements and normal addresses in suburbs or towns. The address must include a town, suburb or township and a postal code.

Item 13 – Feedback required

- a. Is the approach for formal beneficiary accounts clear?
- b. Can a formal beneficiary account be pledged against a loan account?
- c. Is it necessary to add information fields for representatives of the account holder of a beneficiary account if the account holder is a legal entity?
- d. Are there any information fields that should be added/removed?

d. Details of representatives for beneficiaries

If the beneficiary to a formal pooled account was tagged as a minor, legally incapacitated or a power of attorney account, then the information on Table 17 needs to be completed with the details of the representative acting on behalf of the beneficiary.

Table 17: Representative details for formal beneficiary accounts

Field number	Field name	Note
1	Beneficiary's ID number	The beneficiary's ID number or the company registration number in the case of a company or legal entity.
2	Number of representatives	Multiple representatives could exist – information on all representatives would be required.
3	Representatives' ID number(s)	The representative(s)' unique ID or passport number for individuals, or company registration number in the case of a company or legal entity.
4	Type of representation tag	The tag refers to whether the representative can act alone or whether more than one representative have to act collectively – this would have been specified when the account was opened.
5	Initials	Only applicable to representatives that are natural persons.
6	Full first names	Only applicable to representatives that are natural persons.
7	Surname	The surname of a representative that is a natural person. For representatives that are legal entities or companies, the name of the entity can be provided.
8	Telephone number	Banks will need to provide at least one telephone number. This could be the work, home or cellphone number.

9	Email address	This will be an optional field.
10	Address	For natural persons, this should be their residential address. For businesses, this would be the business address. The address can be completed in a structure or unstructured manner to cater for addresses in informal settlements and normal addresses in suburbs or towns. The address must include a town or suburb and a postal code.

Item 14 – Feedback required

- a. Will banks have difficulty in providing any of these information fields?
- b. Are there any other information fields that should be added?

e. Summary of the qualifying and covered balances for all formal beneficiary accounts

Table 18 below summarises all the qualifying and covered balances for all formal beneficiary accounts. This will be used in the calculation of the total covered balances for the member.

Table 18: Summary of qualifying and covered balances for all formal beneficiary accounts

Field Number	Field name	Note
1	Qualifying balance	The total of the qualifying balances (in ZAR) reported in line 12 of the account details table (table 15) for all formal beneficiary accounts should be reported here.
2	Covered balance	The total of the covered balances (in ZAR) reported in line 13 of the account details table (table 15) for all formal beneficiary accounts should be reported here

4.6.4 Informal beneficiary accounts

Informal beneficiary accounts are held in the name of the stokvel, savings club or association. The signatories to these accounts manage the accounts on behalf of the members. Most banks do not record the details of the members.

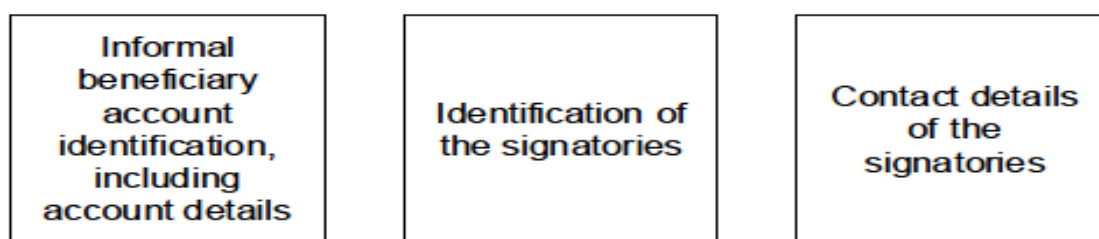
In the survey on pooled accounts, several banks indicated that they could not distinguish between club accounts and informal beneficiary accounts (refer to sections 3.2.5 and 3.1.6.2). Where a bank cannot make the distinction, it can report club accounts as an informal beneficiary account. The coverage for the account remains R100 000. Informal beneficiary accounts will be processed manually during payout after a member's failure as all the signatories would need to be present for pay-out purposes.

When a member can distinguish between club accounts and informal beneficiary accounts, the club account should be reported as a simple account.

If a member collects the constitution document for an informal beneficiary account, together with the names and identity numbers of the beneficiaries, the member can report the account as a formal beneficiary account. CoDI will consider other accounts held by the beneficiary before determining the qualifying and covered balance for the beneficiary.

A high-level overview of the information requirements for informal beneficiary accounts are as indicated in Figure 5.

Figure 5: Overview of the information requirements for informal beneficiary accounts



a. Identification of the informal beneficiary accounts

It is possible for a specific stokvel or savings club to have multiple accounts at a bank. If the signatories are the same for all the accounts held by a specific stokvel or savings club, SCV reporting banks will be able to provide an aggregated view of all the

accounts held by the specific stokvel. Granular banks will have to submit separate submissions for each account held by the stokvel.

For aggregation, the name of the stokvel and the signatories must be the same for each account, otherwise the accounts must be treated as different informal beneficiary accounts.

Table 19: Informal beneficiary account identification

Field number	Field name	Note
1	Account number	Account number in the bank's system.
2	Account holder	The name of the stokvel, savings association or savings club.
3	Account name	The description of the account – this should be the bank's default name for the account if the signatories have never changed it or the name chosen by the signatories (if the bank allows for this). It is important that the signatories are familiar with this name.
4	Product name	The name used by the bank for the specific product.
5	Product type	Banks will need to categorise each qualifying account into one of the following buckets: <ul style="list-style-type: none"> • Transactional accounts • Savings accounts (available on demand) • Notice deposits • Term deposits • Credit card • Loan accounts • Other
6	Number of signatories	The number of signatories to the account should be specified here. Information on each signatory would have to be provided to CoDI.
7	Last transaction date	Banks should report the date of the last transaction on each account.
8	Currency of account	Currency in which the account is held.

9	Original account balance in original currency before accrued interest/profit	<p>Only the balance in the relevant currency should be included and not the currency symbols.</p> <p>Balances must be rounded to two decimal places.</p> <p>Negative balances must be preceded by a minus (-).</p>
10	Total account balance after accrued interest/profit	<p>Only the balance should be included and not the currency symbols.</p> <p>Balances must be rounded to two decimal places.</p> <p>Negative balances must be preceded by a minus (-).</p>
11	Exchange rate	<p>The exchange rate used to calculate the ZAR balance.</p> <p>This must be the ratio of ZAR to the currency of the account.</p>
12	Account balance in ZAR – this is the qualifying balance for the account	<p>This is the end of day balance on:</p> <ul style="list-style-type: none"> • the month-end to which the submission relates; or • the date of the request by CoDI for an ad hoc submission. <p>This balance should include any accrued interest and/or profit.</p> <p>Account fees must also not be deducted from this balance.</p> <p>Balances must be rounded to two decimal places.</p> <p>Negative balances must be preceded by a minus (-).</p>
13	Covered balance	<p>If the qualifying account balance is more than R100 000, the covered balance amount will be R100 000. If the qualifying account balance is less than R100 000, it would be the same as the qualifying balance.</p>
14	Account status tags	<p>These tags will indicate whether there are any of the following restrictions on the account:</p> <ul style="list-style-type: none"> • legal dispute; • money-laundering conviction; • attachment by a sheriff; • pledged account; • sanctions or foreign blocking; and • suspicion of fraud.

15	Readiness for payout	<p>Banks will be able to choose from the following categories:</p> <ul style="list-style-type: none"> • RFP • NRP <p>An account can only be RFP if no account status tags were applicable and the signatories were identified reliably.</p> <p>The NRP for complex accounts will result in these accounts being deprioritised for payout to after RFP simple accounts and NRP simple accounts.</p>
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Item 15 – Feedback required

- a. Are there stokvels with multiple accounts? If so, does the bank require these accounts to have the same signatories?
- b. Do the foreign currency balances and exchange rate conversion apply to these accounts?
- c. Do banks have these information fields available in their records for these accounts?
- d. Should additional information fields be considered?

b. Identifying signatories to the informal beneficiary accounts

Signatories to informal beneficiary accounts are individuals and are subjected to FIC Act requirements. As such, the information required about the signatories is similar to the information required for qualifying simple account holders or depositors. The information requirements for the signatories of informal beneficiary accounts are provided in Table 20.

Table 20: Informal beneficiary accounts – identification of the signatories

Field number	Field name	Note
1	Initials	The signatory's initials.

2	First names	Banks will be able to provide up to four first names for each signatory.
3	Surname	The signatory's last name.
4	Previous names and surnames	The signatory's birth name and/or surname, if available.
5	Date of birth	The signatory's date of birth.
6	Gender	The signatory's gender.
7	Nationality	The signatory's registered nationality should be completed here. For businesses, this would be the country of registration or incorporation.
8	National ID number	South African ID numbers.
9	Passport number	Foreign signatory's passport number.
10	Expiration date of passport	The date on which the signatory's passport expires.
11	Other identifiers	<p>The bank should indicate what type of document has been used to identify the depositor. Choices are:</p> <ul style="list-style-type: none"> • foreign national ID or card; • driver's licence (local or foreign); • residence permit; and • taxation number (local or foreign). <p>Multiple identifiers can be chosen.</p>
12	Other identifying number	The number relating to the other identifier used above.
13	Language(s)	The signatory's preferred language(s) for communication, if available. Multiple languages can be provided.
14	Preferred branch	The bank branch used by the signatory, if available. This field could be left blank for digital banks or banks where branch details are not recorded. Multiple branches can be indicated, if applicable.
15	Communication preferences tag	These tags will provide information about communication preferences for signatories with special needs. This could include tags for braille, large print and audio communication only. These preferences are important in how CoDI communicates to these individuals.
16	Signatory status tags	These tags will indicate whether there are any of the following restrictions on the signatory:

		<ul style="list-style-type: none"> • money-laundering conviction; • legal dispute; • attachment by a sheriff; • sanctions or foreign blocking; and • suspicion of fraud. <p>Any of these tags will result in all the accounts held by this depositor to be treated the same as the tag applies to the depositor and not a specific account only.</p>
17	Reliability of identification	<p>The bank must indicate whether the identification of the depositor has been done reliably, in accordance with the minimum identification criteria provided by CoDI. Signatories not identified reliably will be classified as NRP and payout may be delayed in the event of a bank failure.</p> <p>Banks with a high number of items where the identity of a signatory could not reliably be determined will be required to improve their data quality.</p>

Item 16 – Feedback required

- a. Are these required information fields for these accounts available in banks' records?
- b. Should additional information fields be considered?

c. Contact details of the signatories

For each signatory the contact details and addresses, as indicated in Table 21 below, will be required.

Table 21: Informal beneficiary account: contact details of the signatories

Field number	Field name	Note
1	Telephone number	Banks will need to provide at least one telephone number. This could be the work, home or cellphone number.
2	Email address	This will be an optional field.
3	Address	For natural persons, this should be the residential address.

		<p>The address can be completed in a structured or unstructured manner to cater for addresses in informal settlements and normal addresses in suburbs or towns.</p> <p>The address must include a town or suburb and a postal code.</p>
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d. Calculation of the total covered balance for all informal beneficiary account

Table 22 summarises the total qualifying and covered balances for all informal beneficiary accounts to assist with calculating the total covered (deposit) balance for a member.

Table 22: Covered balance for all informal beneficiary accounts

Field Number	Field name	Note
1	Qualifying balance	The total of the qualifying balances (in ZAR) reported in line 12 of the account details table (Table 19) for all formal beneficiary accounts should be reported here.
2	Covered balance	The total of the covered balances (in ZAR) reported in line 13 of the account details table (Table 19) for all formal beneficiary accounts should be reported here

4.6.5 The total covered deposit balance for the bank

Table 23 below has to be completed by SCV banks only. For banks using the granular reporting method, CoDI will complete this calculation.

Table 23: Covered deposit balance for the bank

Field number	Field name	Note
1	Total qualifying balance	This will be the total of all qualifying balances for the bank, including the total of the qualifying balances of all simple and complex accounts (formal and informal beneficiary accounts).
2	Total covered balance	This will be the total of all covered balances for the member. It will be the total of the covered balances of all simple and

		complex accounts (formal and informal beneficiary accounts).
3	Total covered balances/total qualifying balances	The percentage of a bank's qualifying balances that are covered by CoDI.

Item 17 – Overall reporting feedback required

- a. Are there any information requirements for specific types of accounts that have not been discussed?
- b. Are there any proposals for reporting and information requirements that are not clear?
- c. Are there any proposals for reporting and information requirements where you disagree with the proposals made?

5. The way forward

The planned process and timelines going forward are as follows:

- Comments on this discussion paper should be received by 29 May 2020 on CoDI@resbank.co.za for the attention of the Head: Financial Stability Department.
- Future discussion papers will cover the following topics:
 - data definition and reporting requirements (data models, data field specifications, submission mechanisms and integration options);
 - funding model and the implications for banks;
 - payout and reimbursement; and
 - banks' public awareness obligations for deposit insurance.

Annexure A

Summary of coverage proposals

Number	Type of depositor	Covered (Y/N)	Paragraph Number	Comment
1.	Financial institution	N	3 3.1.7	Deposits held by CFIs will be covered and treated as a formal beneficiary account provided that they become an accountable institution as per the proposed amendment to the FIC Act. Financial institutions' deposits are not covered and include banks, money market unit trusts, non-money market unit trusts, insurers, pension funds, fund managers, private financial corporate sector institutions, monetary authorities and public non-financial corporations.
2.	Government	N	3	Deposits by the following government entities are not covered: national government, provincial government, local government, public non-financial corporations, monetary authorities and organs of state.
3.	Entities listed in schedule 2 of the Public Finance Management Act 1 of 1999	N	3	
4.	Corporation for Public Deposits	N	3	
5.	Public Investment Corporation	N		
6.	Retail depositors	Y	3.1.1	Qualifying products and accounts only
7.	Non-financial corporate depositors	Y	3.1.1	Qualifying products and accounts only
8.	Foreign depositors	Y	3.1.2	Qualifying products and accounts only
9.	Minors	Y	3.1.3	Qualifying products and accounts only
10.	Legally incapacitated depositors	Y	3.1.3	Qualifying products and accounts only
11.	Deceased depositors	Y	3.1.4	Qualifying products and accounts only
12.	Charitable organisations	Y	3.1.5	Qualifying products and accounts only
13.	Religious entities	Y	3.1.5	Qualifying products and accounts only
14.	Trade unions	Y	3.1.5	Qualifying products and accounts only
15.	Consumer associations	Y	3.1.5	Qualifying products and accounts only
16.	Formal beneficiary accounts	Y	3.1.6.1	Look-through approach to be applied. Qualifying beneficiaries are covered

				up to R100 000, together with all other accounts held by them.
17.	Informal beneficiary accounts	Y	3.1.6.2	Each account will be covered up to R100 000.
18.	Electronic money products	N	3.1.6.3	
19.	Authorised signatories	N	3.1.7.1	
20.	Executive management of the failing bank	N	3.1.7.2	
21.	Directors of the failing bank	N	3.1.7.2	
22.	External auditors of the failing bank	N	3.1.7.2	
Number	Types of accounts	Covered (Y/N)	Paragraph number	Comment
23.	Joint accounts	Y	3.2.1	Only qualifying accounts held by qualifying depositors.
24.	Sharing accounts	Y	3.2.2	Only qualifying accounts held by qualifying depositors.
25.	Dormant and inactive accounts	Y	3.2.3	Only qualifying accounts held by qualifying depositors.
26.	Accounts with details of a power of attorney	Y	3.2.4	Only qualifying accounts held by qualifying depositors.
27.	Club accounts	Y	3.2.5	Only if the account holder are qualifying depositors and only up to R100 000.
Number	Product types	Covered (Y/N)	Paragraph number	Comment
28.	Term deposits	Y	3.2.1	Only if held by qualifying depositors.
29.	Credit balances on transactional, transmission, cheque accounts	Y	3.2.2	Only if held by qualifying depositors.
30.	Credit balances on loan accounts	Y	3.2.3	Only qualifying accounts held by qualifying depositors.
31.	Offset mortgages and loans	Y	3.2.4	Only if held by qualifying depositors, and if the loan and transactional accounts are not combined into one account in the records of the bank.
32.	Indefinite period paid-up shares (mutual banks)	N	3.2.5	These are loss-absorbing shares.
33.	Subscription shares (mutual banks)	N	3.2.5	These are loss-absorbing shares.
34.	Fixed period paid-up shares (mutual banks)	N	3.2.5	These are loss-absorbing shares.
35.	Deferred shares (mutual banks)	N	3.2.5	

36.	Mandatory shares (cooperative banks)	N	3.2.5	These are loss-absorbing shares.
37.	Voluntary shares	Y	3.2.5	Only if not loss-absorbing shares and held by qualifying depositors.
38.	Islamic savings/investment accounts	N	3.2.6	These are profit-sharing accounts.
39.	Islamic transactional/cheque accounts	Y	3.2.6	These accounts are not profit-sharing accounts.
40.	Accounts combining multiple products	Y	3.2.7	Only qualifying accounts held by qualifying depositors.
41.	Pledged deposits	N	3.2.8	The pledged amount is not covered unless the loan has been fully repaid.
42.	Alliance banking	Y	3.2.9	Only qualifying accounts held by qualifying depositors.
43.	Investment accounts	N	3.2.10	Products where there is a risk of loss to the qualifying depositor/beneficiary are not covered. This includes: derivatives, shares, indices, exchange traded funds, debt instruments, bearer instruments, annuities, insurance products, unit trusts and repurchase agreements.
44.	Savings accounts	Y	3.2.10	Only if held by qualifying depositors.
45.	Cheque accounts	Y	3.2.10	Only if held by qualifying depositors.
46.	Fixed-term deposits	Y	3.2.10	Only if held by qualifying depositors.
47.	Notice deposits	Y	3.2.10	Only if held by qualifying depositors.
48.	Tax-free deposits	Y	3.2.11	Only if held by qualifying depositors.
49.	Tax-free accounts invested in unit trusts	N	3.2.11	Products where there is a risk of loss to the qualifying depositor/beneficiary are not covered. This includes: derivatives, shares, indices, exchange traded funds, debt instruments, bearer instruments, annuities, insurance products, unit trusts and repurchase agreements.
50.	Tax-free accounts invested in shares	N	3.2.11	Products where there is a risk of loss to the qualifying depositor/beneficiary are not covered.
51.	Money market deposits	Y	3.2.12	Only if held by qualifying depositors.
52.	Money market funds	N	3.2.12	Products where there is a risk of loss to the qualifying depositor/beneficiary are not covered.
53.	Cash management schemes	N	3.2.13	
54.	Reward programmes	N	3.2.14	
55.	Gold	N	3.2.15	
56.	Items in safety deposit boxes	N	3.2.15	

57.	Cashier's cheques	Y	3.2.15	
58.	Crypto-related products	N	3.2.15	
Number	Account features	Covered (Y/N)	Paragraph number	Comment
59.	Accrued interest	Y	3.3.1	Only for qualifying accounts held by qualifying depositors.
60.	Account fees	Y	3.3.2	Account fees will not be deducted from qualifying depositor/account holders' qualifying account balances.
61.	Gross coverage	Y	3.3.3	Negative balances held by a qualifying depositor will not be deducted from the positive balances held by the qualifying depositor.
62.	Temporary high balances	Y	3.3.4	Currently the total of a qualifying depositors qualifying accounts will be covered up to R100 000, regardless of whether this includes temporary high balances. More work will be done to determine if additional coverage of these items is possible.

Abbreviations

2017 Paper	Designing a deposit insurance scheme for South Africa – a discussion paper
CEO	Chief Executive Officer
CFIs	Co-operative Financial Institutions
CoDI	Corporation for Deposit Insurance
Co-operative Banks Act	Co-operative Banks Act 40 of 2007
CPD	Corporation for Public Deposits
Banks Act	Banks Act 94 of 1990
Core Principles	Core Principles for Effective Deposit Insurance Systems
DIS	Deposit Insurance Scheme
FAIS Act	Financial Advisory and Intermediary Services Act 37 of 2002
FIC Act	Financial Intelligence Centre Act 38 of 2001
RFP	Ready for Payout
FSCA	Financial Sector Conduct Authority
FSLAB	Financial Sector Laws Amendment Bill
IADI	International Association for Deposit Insurers
IT	Information Technology
NCR	National Credit Regulator
NRP	Not Ready for Payout
PA	Prudential Authority
SARB	South African Reserve Bank
SCV	Single customer view
SME	Small and medium enterprises

Terms and definitions

Account holder	The individual or legal entity in whose name an account has been opened
Accountable institution	Institutions listed in schedule 1 of the FIC Act. Accountable institutions include banks, accountants, attorneys, estate agents and financial service providers
Accrued interest or profit	Interest/profit accumulated since the last interval when the return on an account balance was paid
Accrued loss	Loss accumulated since the last interval when the return on an account balance was deducted
Adverse selection	Tendency of higher-risk banks to opt for deposit insurance and of lower-risk banks to opt out of deposit insurance when membership in the DIS is voluntary
Administrator	Individual or entity appointed to manage the affairs of an individual that is mentally and legally incapable of managing their own affairs
Alliance banking	Banking and financial services provided by a bank on behalf of companies that want to offer banking services without applying for a banking license
Authorised signatory	An individual who has been added as a signatory by the account holder to an account. This individual does not have a claim on the account balance and is not considered an account holder
Bank(s)	Banks registered in terms of the Banks Act 94 of 1990, Mutual Banks Act 124 of 1993 and the Co-operative Banks Act 40 of 2007 (see also member(s)/member bank(s))
Beneficial owner	'beneficial owner', in respect of a legal person, means a natural person who, independently or together with another person, directly or indirectly

	<p>a. owns the legal person; or</p> <p>b. exercises effective control of the legal person</p>
Beneficiary	The person/business who is legally entitled to funds in a complex account
Beneficiary account	Accounts where the funds of multiple individuals have been pooled together for a specific purpose, including for savings or for meeting loan conditions (such as a deposit for the purchase of a home) (see also pooled account)
Cash management scheme	Cash management schemes involve the sweeping (movement or transfer) of excess working capital between inter-company accounts to maximise the return on these funds. Companies can perform these transfers themselves (self-sweeping) or use a bank to do it on behalf of the group of companies. An inter-company agreement and/or agreement with a bank provides the guidelines for this functionality
Closure of a bank	The date on which the SARB, as the Resolution Authority, notifies CoDI that it has decided on a closed resolution strategy for a failing bank and that it will require CoDI to payout the bank's covered depositors
Club accounts	Club accounts refer to accounts where there are multiple contributors to the account for membership fees and maintenance fees. Club accounts are not used for savings or transactional purposes. These accounts include contributions to not-for-profit accounts, sports clubs accounts and body corporate accounts. Although there are multiple contributors to these accounts, the contributors do not remain entitled to these balances once they have made the payments
Company	This can include both types of business entities that can be registered with the Companies and Intellectual Properties Commission, namely, Company (Pty) Ltd and Co-operative (Ltd)
Complex account	Accounts where the account holder is not the ultimate beneficiary of the account balance. The account holder is a

	representative handling the funds in the account, on behalf of the ultimate beneficiary
Coverage level	The maximum amount (R100 000) that can be paid out to a unique depositor as a simple account holder or the ultimate beneficiary of a formal beneficiary account
Covered balance	The amount covered by CoDI for a unique depositor as a simple account holder or the ultimate beneficiary of a formal beneficiary account after applying the R100 000 coverage level
Covered deposits per bank	The total of all covered balances for a specific bank, including the covered balance for simple accounts and the covered balance for all complex accounts. The covered deposits per bank will be used as the basis for the calculation of all the contributions the bank is required to make to CoDI
Curator	Individual or entity appointed to manage the affairs of an individual that is mentally and legally incapable of managing their own affairs
Deposit (as per the Banks Act)	<p>Noun:</p> <p>an amount of money paid by one person to another person subject to an agreement in terms of which –</p> <p>a. an equal amount or any part thereof will be conditionally or unconditionally repaid, either by the person to whom the money has been so paid or by any other person, with or without a premium, on demand or at specified or unspecified dates or in circumstances agreed to by or on behalf of the person making the payment and the person receiving it; and</p> <p>b. no interest will be payable on the amount so paid or interest will be payable thereon at specified intervals or otherwise, notwithstanding that such payment is limited to a fixed amount or that a transferable or non-transferable certificate or other instrument providing for the repayment of such amount mutatis mutandis as contemplated in paragraph (a) or for the payment of interest on such amount mutatis mutandis as contemplated in paragraph (b) is issued in</p>

	<p>respect of such amount, but does not include an amount of money –</p> <p>i. paid as an advance, or as part payment, in terms of a contract for the sale, letting and hiring or other provision of movable or immovable property or of services, and which is repayable only in the event of –</p> <p>aa. that property or those services not in fact being sold, let and hired or otherwise provided;</p> <p>bb. the fulfilment of a resolutive condition forming part of that contract; or</p> <p>cc. the non-fulfilment of a suspensive condition forming part of that contract;</p> <p>ii. paid as security for the performance of a contract or as security in respect of any loss which may result from the non-performance of a contract;</p> <p>iii. without derogating from the provisions of paragraph (ii), paid as security for the delivery up or return of any movable or immovable property, whether in a particular state of repair or otherwise;</p> <p>iv. paid by a holding company to its subsidiary, or by a subsidiary to its holding company, or by one subsidiary to another subsidiary of the same holding company;</p> <p>v. paid by a person who, at the time of such payment –</p> <ul style="list-style-type: none"> • is a close relative of the person to whom such money is paid; • is a director or executive officer of the person to whom such money is paid; or • is a close relative of a director or executive officer of the person to whom such money is paid; <p>vi. paid by any person to a registered long-term insurer as defined in section 1 of the Long-term Insurance Act 52 of 1998 (Long-term Insurance Act), as a premium in respect of any kind of policy defined or referred in the Long-term Insurance Act and under which policy that long-term insurer assumes, in return for such premium, such obligation as is described in the Long-term Insurance Act;</p> <p>vii. paid to a fund registered or provisionally registered under section 4 of the Pension Funds Act 24 of 1956, as a contribution, contemplated in section 13A of that Act, by or on behalf of a member of that fund;</p>
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	<p>viii. paid to a benefit fund, as defined in section 1 of the Income Tax Act 58 of 1962, as a contribution or a subscription by or on behalf of a member of that fund; or</p> <p>ix. paid by any person to a registered short-term insurer as defined in section 1 of the Short-term Insurance Act 53 of 1998 (Short-term Insurance Act), as a premium in respect of any kind of policy defined or referred in the Short-term Insurance Act and under which policy that short-term insurer assumes, in return for such premium, such obligation as is described in the Short-term Insurance Act</p> <p>Verb: corresponding meaning</p>
Depositor	The person or business who is legally entitled to the funds in an account. For simple accounts, the depositor and account holder are the same. For complex accounts, the depositor is the ultimate beneficiary to the account
Electronic money products	<p>Electronic money</p> <ul style="list-style-type: none"> • represents monetary value and must be claimable by an issuer; • can be stored electronically and issued on receipt of funds; • is generally accepted as a means of payment by persons other than the issuer; and • is redeemable on demand for physical cash or a deposit into a bank account
Executive officer/manager	Any employee who is a director or who is in charge of a risk management function of the bank, including the chief executive officer, compliance officer, the secretary of the company or any manager of the bank who is responsible, or reports directly to the chief executive officer of the bank
Fixed period paid-up shares	Funds invested in a mutual bank or cooperative bank for a fixed period (usually 60 months), at a fixed interest rate
Formal beneficiary account	A beneficiary account is where an accountable institution uses formal record-keeping to record and identify the underlying beneficiaries and their associated balances (see formal pooled account)

Formal pooled account	A beneficiary account is where an accountable institution or entity uses formal record-keeping to identify the underlying beneficiaries and their associated balances (see formal beneficiary account)
Formal record-keeping	Record-keeping done by accountable institutions, including banks, accountants, attorneys, estate agents or registered financial service providers
Gross coverage	The sum of all (positive) qualifying balances for a qualifying depositor without deducting any negative balances held by the qualifying depositor
Indefinite period paid-up shares	Funds invested in a mutual bank or cooperative bank for a minimum of 18 months at a fluctuating interest rate, and for which a notice period of between three to six months is required, depending on the period already invested
Informal beneficiary account	A beneficiary account is where informal record-keeping of contributors and their associated balances takes place (see also informal pooled account)
Informal pooled account	A beneficiary account is where informal record-keeping of contributors and their associated balances takes place (see also informal beneficiary account)
Informal record-keeping	Record-keeping done by any party that is not an accountable institution
Investment/investment product	Amounts placed at banks that are exposed to market or credit risk, with a potentially higher return than deposits, but without a capital guarantee
Joint account	An account opened in the name of two or more account holders
Member(s)/member bank(s)	Banks registered in terms of the Banks Act 94 of 1990, Mutual Banks Act 124 of 1993 and the Co-operative Banks Act 40 of 2007 (see also bank(s))
Minor	Individuals younger than 18 years

Netting	The result of a deduction between deposit (positive) balances and loan (negative) balances
Non-qualifying accounts	Funds evidenced by a bearer instrument, funds invested in equities or debt instruments or funds in investments
Non-qualifying deposits	In terms of the FSLAB's definition of qualifying deposits, the deposits by the following types of depositors do not qualify for deposit insurance coverage: <ul style="list-style-type: none"> a. deposits by banks; b. 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; and c. deposits by government, including local, provincial and national government, public financial sector entities, the PIC, the CPD, other public non-financial corporations and monetary authorities
Not ready for payout	Accounts where <ul style="list-style-type: none"> • the mandatory fields for the identification of the qualifying depositor are not completed or available; and • depositor status tags and account status tags were applied to the depositor or the accounts held by the depositor
Offset loan	Account where the (negative) loan balance is reduced with the (positive) balances on other accounts, such as a transactional or savings account, resulting in lower interest payable on the outstanding loan balance
Offset mortgage	Account where the (negative) mortgage balance is reduced with the (positive) balances on other accounts, such as a transactional or savings account, resulting in lower interest payable on the outstanding mortgage balance
Open bank resolution	The bank is not liquidated and depositors continue to have access to their deposits. CoDI will not payout depositors, but can contribute funds to support resolution strategy, subject to the conditions in the FSLAB

Pay-out period	Period between the closure of a bank and qualifying depositors receiving compensation for their covered balances
Pledged deposits	Deposit pledged as collateral for a loan – usually done as part of the loan conditions to reduce the risk for the lender
Pooled accounts	Accounts where the funds of multiple individuals have been pooled together for a specific purpose, such as savings, funerals, deposit for the purchase of a home (see also beneficiary account)
Power of attorney	An individual or entity appointed by a depositor to administer accounts on his/her behalf, if required
Primary account holder	Main account holder
Products	Products offered by banks include transactional accounts, savings accounts, credit cards, overdrafts and loans
Qard	Islamic account where account holder expects no return and the bank has no obligation to pay a return
Qualifying account	Accounts in qualifying products held by qualifying deposits
Qualifying balance	The total balance of all the qualifying accounts for an individual depositor or for an informal beneficiary account before the application of the coverage limit
Qualifying deposit	<p>The FSLAB defines a 'qualifying deposit' as a deposit with a bank, other than:</p> <ol style="list-style-type: none"> a. a deposit evidenced by a bearer deposit instrument; or b. a deposit where the depositor holds the deposit in the capacity of <ul style="list-style-type: none"> • a financial institution, excluding a financial institution that is a cooperative financial institution as defined in section 1(1) of the Co-operative Banks Act; • the national government, a provincial government, a local government or an organ of state;

	<ul style="list-style-type: none"> • an entity listed in schedule 2 of the Public Finance Management Act; • the CPDs established by section 2 of the Corporation for Public Deposits Act 46 of 1984; or • the PIC established by section 2 of the Public Investment Corporation Act 23 of 2004
Qualifying depositor	A depositor that meets the requirements of a qualifying deposit (i.e. retail and non-financial corporate)
Qualifying product	Products where the capital amount is guaranteed and repayable at par to a qualifying depositor (i.e. savings accounts, current accounts, credit balances on loan accounts and group savings accounts)
Ready for payout	Accounts where <ul style="list-style-type: none"> • the qualifying depositor with all his/her qualifying accounts (and associated balances) have been identified using the minimum information required for the identification of the depositor; and • no depositor status tags or account status tags were applied to the depositor or accounts held by the depositor
Related parties	Any person (whether natural or juristic) over the business of which the director or executive officer can exercise a significant influence and which business undertakes business with the relevant bank or controlling company to an extent that could materially influence the asset base, profitability or risk profile of the said bank or controlling company
Riba	Interest from an Islamic perspective
Shariah law	Religious law forming part of the Islamic traditions
Simple account	Simple accounts are accounts where the account holder(s) is/are also the legal owner(s) of the funds.
Single customer view	Aggregated view of all the qualifying accounts for a single qualifying depositor

Temporary high balances	<p>High account balances caused by certain life events, such as:</p> <ul style="list-style-type: none"> • funds for the purchase or sale of private residential properties; • social purpose deposits linked to significant life events, including divorce settlements, retirement, dismissal or redundancy; and • deposits from the payment of insurance benefits, compensation for criminal injuries or wrongful conviction
Ultimate beneficiary	The person/business who is legally entitled to funds in a complex account

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