



South African Reserve Bank

Prudential Authority

Ref.: 15/8/4/4

**Co-operative Banks Act, 2007: Consultation Report  
Prudential Standard TCFI-01**

**Transitional arrangements for co-operative financial institutions**

**1. Introduction**

- 1.1 This report is prepared in accordance with section 100(3) and section 104(3) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act) in respect of the Prudential Standard - Transitional arrangements for co-operative financial institutions (Prudential Standard TCFI-01), prescribed under sections 46(1) read with 44(4)(b) of the Co-operative Banks Act, 2007 (Act No. 40 of 2007) (the Co-operative Banks Act) and sections 105 and 108 of the FSR Act, published on the website of the South African Reserve Bank (SARB) on 26 September 2018. Prudential Standard TCFI-01 may be accessed at: <http://www.resbank.co.za/PrudentialAuthority/Deposit-takers/Co-operativeFinancialInstitutions/Documents/Prudential%20Standard%20TCFI-01.pdf>.
- 1.2 The draft Prudential Standard TCFI-01 was published on 31 August 2018, for a period of 7 days in accordance with section 100(2) of the FSR Act for comments by or on 7 September 2018 together with:
- a statement explaining the need for, and the intended operation and expected impact of the draft Prudential Standard TCFI-01;
  - a statement of the reasons why the delay involved in complying with sections 98 and 99 of the FSR Act is considered likely to lead to prejudice to financial customers; and
  - a notice inviting submissions in relation to the draft Prudential Standard TCFI-01 and stating where, how and by when submissions were to be made.
- 1.3 In accordance with section 103(2) of the FSR Act, the above-mentioned documents were submitted to Parliament on 7 September 2018, for a period of 7 days.
- 1.4 On 25 September 2018, the Prudential Committee of the Prudential Authority (the members of the Prudential Committee are the Governor and Deputy Governors of the SARB), in terms of section 42(b)(vi) of the FSR Act, made the regulatory instrument, Prudential Standard TCFI-01.

1.5 In accordance with the requirements of the FSR Act, copies of the final Prudential Standard TCFI-01, the documents referred to in paragraph 1.2 and this consultation report will be provided to the Financial Sector Conduct Authority, the SARB, the National Credit Regulator, the Council for Medical Schemes and the Director-General of the National Treasury.

## **2. Statement of the need for an urgent regulatory instrument (prudential standard)**

2.1 Co-operative financial institutions (CFIs) were previously regulated and supervised by the Co-operative Banks Development Agency (CBDA) in accordance with an exemption notice issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), under Government Notice No. 620 and published in Government Gazette No. 37903 of 15 August 2014 (Exemption Notice). Under the FSR Act and the consequential amendments to the Co-operative Banks Act the regulation and supervision of CFIs falls within the ambit of the Prudential Authority. With effect from 1 August 2018, existing CFIs will have a period of 12 months within which to register with the Prudential Authority under the amended Co-operative Banks Act. The regulatory framework that was governing CFIs was captured under the Co-operative Banks Development Agency Rules (CBDA Rules). The Prudential Authority had no jurisdiction over the CBDA Rules and Prudential Standard TCFI-01 converts the CBDA Rules into a regulatory instrument under which the Prudential Authority will be able to register, regulate and supervise CFIs.

2.2 In accordance with section 104(3) of the FSR Act it is stated that:

- The Prudential Standard TCFI-01 was proposed as an urgent regulatory instrument in terms of section 100 of the FSR Act given that the Prudential Authority required a regulatory framework in order to regulate and supervise CFIs. The regulatory gap posed prejudice to financial customers who are currently members of a co-operative financial as well as financial customer that may deposit funds with these institutions.
- Should the Prudential Authority have followed the normal process for making prudential standards as set out in section 98 and 99 of the FSR Act, the implementation of regulation, registration of CFIs and supervision of the sector by the Prudential Authority would have been delayed.

## **3. Prescriptions of maximum thresholds for members' deposits**

3.1 In accordance with section 40(2)(a) and 40(2)(d)(ii) of the Co-operative Banks Act, the Prudential Standard TCFI-01 prescribes:

- a limit of R5 million at which a CFI must apply to the Prudential Authority to be registered as a co-operative bank; and
- a general maximum limit of R50 million for holding of deposits by a CFI.

The previous limits were R1 million (removed in the amendments made to the

Co-operative Banks Act) and R30 million (provided for in the Exemption Notice) respectively.

#### **4. General account of issues raised in consultation**

- 4.1 Forty seven comments were received. A few comments pertained to the need for training and assistance in the sector. The CBDA affirmed their position to assist in this regard. The comments requesting changes to the prudential and governance requirements were not addressed under the transitional arrangements and will be considered in the development of the new framework for the regulation and supervision of CFIs. A number of the comments related to matters that were not relevant to the transitional arrangements being proposed under draft Prudential Standard TCFI-01 such as matters relating to the tax and a national co-operative bank. A small number of comments required clarity on some of the principles and requirements provided for in draft Prudential Standard TCFI-01.
- 4.2 A few comments were received on the maximum thresholds that were prescribed. Comments related to the obligation or requirement to apply at R5 million to be registered as a co-operative bank, the amount of R5 million being too high, the amount of R50 million being too low or unnecessary. Clarification was provided on:
  - the requirements of the Co-operative Banks Act to make such prescriptions and;
  - the ability of a CFI, that is of the opinion that it meets the requirements to be registered as a co-operative bank, to make an application to the Prudential Authority for registration.
- 4.3 The comments relating to the thresholds and the obligation to apply as a co-operative bank will be considered in the drafting of the new framework for the regulation and supervision of CFIs.
- 4.4 A comment informed a change to the draft Prudential Standard TCFI-01, which was incorporated into the final standard, being the removal of the word 'secure' from 'secure investment' under Attachment 7. The nature of the investments prescribed is secured.
- 4.5 All comments and responses thereto are captured in the comment matrix included in the attached Schedule.

**Schedule**  
**Composite comment matrix for public consultation**  
**Prudential Standard TCFI-01**  
**Transitional arrangements for co-operative financial institutions (CFIs)**

Name/ Organisation		Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
		Paragraph 1		No comments received.
		Paragraph 2		No comments received.
		Paragraph 3		No comments received.
		Paragraph 4		No comments received.
		Paragraph 5		No comments received.
1.	SAMWU SACCO	5.5	There should be clarity about the current CFI that have challenges with meeting certain requirements i.e. liquidity ratio and at least an extension that is linked to the strategic plan of the CFI so that those who continue to save are not prejudiced. The rule should not be one size fit all in the interim.	Any Financial Co-operative, currently unregistered, must apply as per the standard. Each application for registration will be assessed on merit.
2.	Londoloza CFI	5.5	CBDA to assist with registration of all Cooperative Financial Institutions under the exemption notice so that come 1August 2019 all CFI are registered to the Prudential Authority in terms of the Act.	The comment is noted. CBDA will assist CFIs that approach the CBDA, whether the CFIs are registered or not.  ✍️ To consider adding to a guidance note to the sector post implementation of the Standard.
3.	NACFISA	Section 5	An applying Cooperative Bank and/or CFI must be a member of a representative organisation before it can be registered by the CIPC and PA. an application for registration of a CFI and/or cooperative Bank Must be accompanied by a membership certificate of a representative and/or support organisation and be submitted to the PA by the representative and/or support organisation.	Membership to any representative body must be voluntary in terms of Co-operative Principle 1 - Voluntary and Open Membership. CFIs need not be members of a representative body to apply.

	Name/ Organisation	Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
			<p>(for example all Banks are part of BASA) this assists the movement to have a united voice and streamline communication processes.</p> <p><b>We propose the rule under section 5.</b></p>	
4.	Kwazulu Ladies Empowerment FSC	Page 4of 6 to 5of 6 under 5.2	<p>Second sentence that talk about cooperative financial institution that attains a deposits value of R5 million must apply to registered as a cooperative bank.</p> <p>As kwazulu ladies FSC we do not agree with the MUST statement it should be MAY apply to register as a cooperative bank.</p>	<p>(Paragraph 7.1)</p> <p>Chapter 7A, Section 40B(2)(a) of the Co-operative Banks Act requires that a CFI <b>must</b>, once it has reached a prescribed amount (i.e. R5 million) of members' deposits apply for registration as a co-operative bank.</p>
5.	Kwazulu Ladies Empowerment FSC	Page 4of 6 to 5of 6 under 5.2	<p>The last sentence that talks about existing cooperative financial institutions that hold deposits of R40 million in the region</p> <p>Our take on this 50 million deposits we strongly believe that there should be no limits on the deposits, so that we can grow and make a different in our country. As per current facts that say exiting CFI'S hold deposits of 40 million in this region, the limits of R50 million maximum threshold could be the cause of CFI'S not depositing more money .</p>	<p>The prescription of a general maximum limit is required by the Co-operative Banks Act and applies to CFIs. This limit existed under the Exemption Notice and is not a new prescription. For the duration of the transitional period, the general maximum limit for holdings of deposits has been increased from R30 million to R50 million. It should be noted, however, that there is no general maximum limit for co-operative banks.</p>
6.	Kwazulu Ladies Empowerment FSC	Page 4of 6 to 5of 6 under 5.2	<p>As Kwazulu Ladies we want a national cooperative bank of South Africa ,where CFI'S can put they deposits.</p>	<p>This should be a sector-led initiative. The Co-operative Banks Act allows for the formation of a secondary co-operative bank and a tertiary co-operative bank.</p>
7.	Kwazulu Ladies Empowerment FSC	Page 5 of 6 under 5.3	<p>These options have been selected by virtue of the fact that they assist in ensuring the <b>safety</b> and <b>soundness</b> of cooperative financial institution and assists in ensuring that these institution are able to meet their obligations</p> <p>We would like prudential authority to add <b>growth on deposits</b> on their standards.</p>	<p>(Attachment 6)</p> <p>This is accommodated under 'Attachment 6, Minimum prudential standard, 2 Outreach', with 'minimum monthly savings growth of an average of R50 per member per month once registered'.</p>

	Name/ Organisation	Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
		Paragraph 6		
8.	NACFISA	Section 6	<ul style="list-style-type: none"> <li>- In case we have a registered representative and/or accredited support organization, reporting on financial performance should and must be submitted to the PA by the representative organisation</li> <li>- or the reporting CFI and/or cooperative bank must also send a copy of the report to the representative organisation</li> <li>- This will create a progressive relationship between the regulator, the CFIs and the representative and/or support organization. With a copy submitted to the representative and/or support organization, the problems affecting the CFI can be identified and addressed before they become detrimental and before the CFI is de-register.</li> </ul>	According to Paragraph 6.2, all registered CFIs must report to the Prudential Authority on their financial performance on a quarterly and cumulative basis. The sharing of information with the representative body is the choice of the CFI.
		Paragraph 7		
9.	Alina Mamabolo	7.1	<p>I am part of a stokvel which has the intention of becoming a cooperative bank, we are in the process of registering as a CFI now. This change to R5M is not beneficial and it is discouraging for us young people trying to change our lives by bringing funds together to start our own banks.</p> <p>Already it is difficult for CFIs to become Cooperative banks at a R1M requirement. The proposed limit will exclude a lot of stokvels that are aiming to become Cooperative banks and that is not fair and it promotes monopolies. We need competitive environment for banks.</p>	Any CFI that is of the opinion that it meets the requirements for registration as a co-operative bank, <b>can</b> apply to be a co-operative bank in terms of the Co-operative Banks Act prior to reaching the limit of R5 million.
10.	Londoloza CFI	7.1	A cooperative financial Institution must ,once it has maintained at least 3 million in members deposits, for the period of at least six consecutive months apply for registration as a Cooperative bank in terms of the Act .	Any CFI that is of the opinion that it meets the requirements for registration as a co-operative bank, <b>can</b> apply to be a co-operative bank in terms of the Co-operative Banks Act prior to reaching the limit of R5 million.

	Name/ Organisation	Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
11.	NACFISA	7.1	<p>The current threshold of R1 million rand is still relevant to the conditions of our members. The CBDA rules created a R1 million-rand threshold but only managed to register 3 Cooperative banks in 8 years and it proves that raising the bar will create <b>barrier</b> not an enabler.</p> <p>The PA will not even justify its existence by regulating only 3 cooperative Banks. <b>We reject the rule</b></p>	<p>Any CFI that is of the opinion that it meets the requirements for registration as a co-operative bank, <b>can</b> apply to be a co-operative bank in terms of the Co-operative Banks Act prior to reaching the limit of R5 million.</p>
12.	NACFISA	7.2	<p>The R50 Million-rand cap is unnecessary and the PA is missing a critical point which is simple, a cooperative banking institution is based on a philosophy not about how much capital you raise. If members raise a billion rand under the cooperative banking principles why should they be diluted into another system?</p> <p>Example: The merger of volkskas and other cooperatives into ABSA, led to the demise of the Afrikaner philosophy and its shared economic principles amongst them and hence today you can eventually find an Afrikaner in the robots as beggars in the free market economy and we think it must be mixed.</p> <p>The PA must be flexible and create progressive rules in consultation with the sector. <b>We object the rule.</b></p>	<p>The prescription of a general maximum limit is required by the Co-operative Banks Act and applies to CFIs. This limit existed under the Exemption Notice and is not a new prescription. For the duration of the transitional period, the general maximum limit for holdings of deposits has been increased from R30 million to R50 million. It should be noted, however, that there is no general maximum limit for co-operative banks.</p>
13.	Kwazulu Ladies Empowerment FSC	Page 2of 6and 3of 6 under 1.4	<p>This point which talks about obligations for cooperative financial institution that has a period of six months, sustained a deposit value of at least R5 million to apply to be registered as a cooperative bank.</p> <p>Our inputs on this issue is that we don't want to be obligated to this regulation as an organization we believe it should be voluntarily.</p>	<p>(Relates to Impact Statement)</p> <p>Chapter 7A Section, 40B(2)(a) of the Co-operative Banks Act requires that a CFI <b>must</b>, once it has reached a prescribed amount (i.e. R5 million) of members' deposits apply for registration as a co-operative bank.</p> <p>The previous prescribed amount of members' deposits of R1 million has been increased to R5 million to allow CFIs to maintain sustainable growth before they are obligated to apply to be</p>

	Name/ Organisation	Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
				registered as a co-operative bank.
14.	Kwazulu Ladies Empowerment FSC	Page 2of 6and 3of 6 under 1.4	<p>This point which talks about a maximum deposit threshold of R50 million of cooperative financial institution.</p> <p>Our inputs on this issues we believe that they should be no limits on the deposits. For an example SACCO'S in African countries like Swaziland, Botswana, Ghana ,Malawi, Kenya, Uganda , they don't have limits in the deposit taking. This countries take deposits up to billions of rand's.</p>	<p>(Section 7.2)</p> <p>The prescription of a general maximum limit is required by the Co-operative Banks Act and applies to CFIs. This limit existed under the Exemption Notice and is not a new prescription. For the duration of the transitional period, the general maximum limit for holdings of deposits has been increased from R30 million to R50 million. It should be noted, however, that there is no general maximum limit for co-operative banks.</p>
		Paragraph 8		
15.	SAMWU SACCO	8.	It is not clear because it might also temper with the independence of the CFI rather it be phrased that after constitutional amendments the CFI should submit same to PA to verify compliance with the standards.	<p>The Prudential Authority will register a CFI based on, amongst others, the constitution of the CFI. Thus, any amendments to the constitution will require the prior written approval of the Prudential Authority.</p> <p>The Prudential Authority's decisions will be informed by the co-operative principles and values.</p>
		Paragraph 9		No comments received
		Paragraph 10		
16.	SAMWU SACCO	10.1.1	There should be acknowledgement of the history of the sector and in fact there should a clause that compels the PA or CBDA to conduct a mandatory training on specific skills of all board members within a specified period, such as in the retirement funds, The clause is okay with the proviso of comments above.	The purpose of this regulatory framework is to provide a framework in terms of which CFIs can be regulated and supervised. The CBDA will assist CFIs that approach the CBDA, whether



	Name/ Organisation	Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
				the CFIs are registered or not.
17.	SAMWU SACCO	10.1.3	It should be drafted with specific times frames to assist reporting on clause 10.1.1	Member education and training is the responsibility of the board of the CFI.
18.	NACFISA	Section 10	<ul style="list-style-type: none"> <li>- The fit and proper directors and management of a CFI needs to be defined in to specifics. what is fit and proper? What skills, expertise, skills, qualifications and experience referred to by fit and proper.</li> <li>- We propose that a manager of a start-up CFI should hold at list a certificate in accounting and/or banking. The manager of a growing CFI to hold at list a diploma in accounting, banking and/or related qualifications, and the manager of the cooperative Bank to hold at list a degree in Business, accounting, banking and/or related qualifications.</li> </ul>	<p>The responsibility rests with the CFI to demonstrate to the Prudential Authority that its board members and manager(s) have the requisite experience, knowledge, qualifications and competence.</p> <p>Section 40B(1)(b) of the Co-operative Banks Act states that, in order to qualify for registration, or to continue to be registered, a CFI must demonstrate, to the satisfaction of the Prudential Authority, on an ongoing basis, that it has sufficient human, financial, requisite experience, knowledge, qualifications and competence to give effect to its obligations and operational capacity to function efficiently and competently.</p> <p>The Prudential Authority will consider these requirements in terms of the nature, scale and complexity of the institution upon review of each application.</p>
		Paragraph 11		No comments received.
		Paragraph 12		No comments received.
		Paragraph 13		No comments received.
		Attachment 1		No comments received.


Name/ Organisation		Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
		Attachment 2		
19.	NACFISA	Attachment 2	- Requirements for registration as a CFI and/or cooperative bank should also indicate that applying CFIs and/or cooperative banks should first obtain membership with the representative and/or support organisation and the certificate of membership with the support and/or representative organisation must accompany application forms to the PA.	Membership to any representative body must be voluntary in terms of Co-operative Principle 1 - Voluntary and Open Membership.
		Attachment 3		
20.	SAMWU SACCO	Attachment 3	It should be who should sign the form for accountability	The application form and every page of every document attached must be signed by the chairperson of the proposed CFI, as detailed in Note 2 of Attachment 3.
		Attachment 4		
21.	SAMWU SACCO	Attachment 4	Same as above on attachment 3 <i>(It should be who should sign the form for accountability)</i>	The application form and every page of every document attached must be signed by the chairperson of the proposed CFI, as detailed in Note 2 of Attachment 3, which includes Attachment 4.
		Attachment 5		
22.	SAMWU SACCO	Attachment 5	What is the difference between this form and the acceptance letters, code of conduct of CFI like we have in our CFI, we should consider some integration into one to avoid many forms	This form constitutes a commitment to the Prudential Authority to conduct oneself in a prudent manner. This form is not equivalent to an acceptance letter and/or a CFI code of conduct.
		Attachment 6		

	Name/ Organisation	Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response																				
23.	SAMWU SACCO	Attachment 6 & 7	They are okay, however there should be workshopped with BoD and Staff to ensure proper oversight and smooth operations, and reporting to PA & members	Agreed. The CBDA will assist CFIs that approach the CBDA, whether the CFIs are registered or not.																				
24.	NACFISA	Attachment 6	<p>All CFI/SACCO/FSC must be registered under the PA with categories/tiers:</p> <table border="1" data-bbox="619 462 1228 641"> <thead> <tr> <th data-bbox="619 462 766 503">CRITERIA</th> <th data-bbox="766 462 913 503">START-UP CFI</th> <th data-bbox="913 462 1060 503">GROWING CFI</th> <th data-bbox="1060 462 1228 503">CO-OPERATIVE BANK</th> </tr> </thead> <tbody> <tr> <td data-bbox="619 503 766 544"><i>Deposit</i></td> <td data-bbox="766 503 913 544">Up to R 200K</td> <td data-bbox="913 503 1060 544">R 200K – R 1 m</td> <td data-bbox="1060 503 1228 544">From R 1 m</td> </tr> <tr> <td data-bbox="619 544 766 576"><i>Members</i></td> <td data-bbox="766 544 913 576">100</td> <td data-bbox="913 544 1060 576">100</td> <td data-bbox="1060 544 1228 576">200</td> </tr> <tr> <td data-bbox="619 576 766 609"><i>Capital</i></td> <td data-bbox="766 576 913 609">R 200 000</td> <td data-bbox="913 576 1060 609">R 200 000</td> <td data-bbox="1060 576 1228 609">1 m</td> </tr> <tr> <td data-bbox="619 609 766 641"><i>Common Bond</i></td> <td data-bbox="766 609 913 641">Multiple</td> <td data-bbox="913 609 1060 641">Multiple</td> <td data-bbox="1060 609 1228 641">Multiple</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>- It does not assist the image of the sector if other members operate outside regulation and monitoring, hence the PA must be at all levels to provide guidelines.</li> </ul> <p>Registration for all CFI in different ratings</p> <ul style="list-style-type: none"> <li>- The registration of CFIs and Cooperative banks in different tiers will also allow the PA to regulate the CFIs and cooperative banks in all levels, no CFIs can operate outside the regulation and supervision of the PA, as it happened with the CBDA.</li> <li>- The proposed regulatory framework will also make it easy for new applying CFIs to be registered and regulated by the PA, it will also ease the management of a new CFI dealing with at list 100 members as compared to 200 members on start-up phase.</li> <li>- The common bond for start-up CFIs should also be multiple to ease the accumulation of members in the start-up phase, in some cases it is very difficult to accumulate enough members to meet the registration requirements of a CFI due to the single common bond.</li> </ul>	CRITERIA	START-UP CFI	GROWING CFI	CO-OPERATIVE BANK	<i>Deposit</i>	Up to R 200K	R 200K – R 1 m	From R 1 m	<i>Members</i>	100	100	200	<i>Capital</i>	R 200 000	R 200 000	1 m	<i>Common Bond</i>	Multiple	Multiple	Multiple	This comment does not relate to the transitional standard under consideration, but refers instead to the new framework for the regulation and supervision of CFIs that is under consideration.
CRITERIA	START-UP CFI	GROWING CFI	CO-OPERATIVE BANK																					
<i>Deposit</i>	Up to R 200K	R 200K – R 1 m	From R 1 m																					
<i>Members</i>	100	100	200																					
<i>Capital</i>	R 200 000	R 200 000	1 m																					
<i>Common Bond</i>	Multiple	Multiple	Multiple																					

	Name/ Organisation	Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
25.	NACFISA	Attachment 6 (5)(6)(8)	<p>The 15% risk exposure is a development barrier for the sector.</p> <ul style="list-style-type: none"> <li>-</li> <li>- Many funders such as DFI are funding entities that on lend to the people and Cooperative Banks also need the same opportunity to grow and attract members that require large amounts of loans.</li> <li>- The Banks are exposed over 70% and still function normally on clients that they do not know (no common bond)</li> </ul> <p><b>We propose 40%</b> because common bond signifies that we know our members/clients and it minimises the risk including all other mitigators.</p> <ul style="list-style-type: none"> <li>- The non-earning and fixed assets to total assets ratio of 5% is not realistic and does not encourage growth of the CFIs. The CFIs needs to be encouraged to buy building than renting, take ownership of collaterals (where applicable) to protect members' savings in case of non-repayment and buy more office furniture and equipment's for a proper image of the bank.</li> <li>- SACCOs at Swaziland do own huge buildings and they have rented out parts of the building which help to cover the operational costs of the SACCO.(Askhutulisane SACCO)</li> </ul> <p>We propose that the non-earning and fixed assets to total assets ration increase to at list 45% compared to the 5%.</p> <ul style="list-style-type: none"> <li>- The minimum members share capital of R 100 000 should be increased to R 200 000 contributed by at list 100 members.</li> <li>- With the proposal to increase non-earning and fixed assets to total assets from 5% to at list 45%, exposure of loan to individual members and board of director's members should not be measured as a percentage of assets, rather as a percentage of loan portfolio.</li> <li>- We propose that the loan exposure of board members to be decreased from 25% to 15% of the total loan book of the CFI and the loan per member to maximum of at list 5%.</li> <li>-</li> </ul>	<p>The proposed transitional standard seeks to convert the CBDA Rules into a prudential standard under which the Prudential Authority will be able to register, regulate and supervise CFIs.</p> <p>The prudential limits stated herein have not changed from the CBDA Rules.</p> <p>New proposals will be considered under the new framework for the regulation and supervision of CFIs.</p>

	Name/ Organisation	Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
26.	Kwazulu Ladies Empowerment FSC	Page 12 attachment 6	4.under portfolio quality: If Delinquency is <5% it does not work on our favour at least it should be <10% is better because our members income are not consistent so we cant use payroll system and we are community based CFI.The consumer acts states that we are not allowed to deduct members money.(referred to REGULATORY PROPOSAL ON PAYROLL DEDUCTIONS)	<p>The proposed transitional standard seeks to convert the CBDA Rules into a prudential standard under which the Prudential Authority will be able to register, regulate and supervise CFIs.</p> <p>The prudential limits stated herein have not changed from the CBDA Rules.</p> <p>New proposals will be considered under the new framework for the regulation and supervision of CFIs.</p>
27.	Kwazulu Ladies Empowerment FSC		5.Under sustainability : external credits our take on the maximum of 15% we should not be limited rather be increase to 100 % especially when the CFI it still in tier one ,then only when a CFI is in tier three it can be 50% so that CFI will sustainable.	<p>The proposed transitional standard seeks to convert the CBDA Rules into a prudential standard under which the Prudential Authority will be able to register, regulate and supervise CFIs.</p> <p>The prudential limits stated herein have not changed from the CBDA Rules.</p> <p>New proposals will be considered under the new framework for the regulation and supervision of CFIs.</p>
28.	Kwazulu Ladies Empowerment FSC		8. Under exposures: (as a percentage of assets)referring to individuals savings deposits which is a maximum of 10%. as Kwazulu ladies we would like for it to increase to 20% since our argument says there should be no limits in our deposits.	<p>The proposed transitional standard seeks to convert the CBDA Rules into a prudential standard under which the Prudential Authority will be able to register, regulate and supervise CFIs.</p> <p>The prudential limits stated herein have not changed from the CBDA Rules.</p> <p>New proposals will be considered under the new framework for the regulation and supervision of CFIs.</p>
		Attachment 7		

	Name/ Organisation	Paragraph Reference	Comments (verbatim as received)	Prudential Authority Response
29.	NACFISA	Attachment 7	<p><b><u>Management and financial management</u></b></p> <ul style="list-style-type: none"> <li>- Enforcement is needed on a Cooperative Bank/CFI without any integrated banking system, we propose that it must be a requirement to protect member deposits and it will assist the PA to monitor offsite.</li> <li>- Currently most CFIs operate without proper banking systems and it is somehow difficult to maintain and keep up with the operational and prudential requirements, it also becomes very difficult to rely on the information provided by CFIs as they are using manual systems which are exposed to high human error and no audit trail.</li> <li>- This will prevent another standard Bank, Investec, ABSA price fixing and VBS governance issues.</li> </ul> <p><b>Banking system must be compulsory.</b></p> <p><b><u>Governance requirements</u></b></p> <ul style="list-style-type: none"> <li>- It is currently difficult and challenging for some of the CFIs to hold proper board meetings due to the issue of quorum, logistics support for board members to attend the meetings and to provide for seating allowance as numbers of board members is this much.</li> <li>- The number of fit and proper board members of the CFI should be decreased to at list a minimum of 7 members and the maximum may still be at 15.</li> <li>- All CFIs should and must have competent and functioning supervisory/ Audit committee which is independent of the board. To encourage and promote the effectiveness and functioning of the supervisory/ Audit committee, the committee must report direct to members, representative and/or support organisation and the Prudential Authority.</li> <li>- This will insure that members of the committee are active, and they do provide supervision and audit to the CFI.</li> </ul>	<p>The proposed transitional standard seeks to convert the CBDA Rules into a prudential standard under which the Prudential Authority will be able to register, regulate and supervise CFIs.</p> <p>The prudential limits stated herein have not changed from the CBDA Rules.</p> <p>New proposals will be considered under the new framework for the regulation and supervision of CFIs.</p>

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30.	Kwazulu Ladies Empowerment FSC	Page 14 attachement 7	<p>Governance and operational requirement for cooperative financial institutions:</p> <p>1 Governance: board of directors term of office should be increased from 6 years to 10 years( 5 years per member) maximum two terms. After a year a member can come a an ordinary board member but not to be in the executive committee. This will ensure continuity in the running of the CFI. This can be cost effective as new board of directors will need training s .</p>	<p>The proposed transitional standard seeks to convert the CBDA Rules into a prudential standard under which the Prudential Authority will be able to register, regulate and supervise CFIs.</p> <p>The prudential limits stated herein have not changed from the CBDA Rules.</p> <p>New proposals will be considered under the new framework for the regulation and supervision of CFIs.</p>
31.	Kwazulu Ladies Empowerment FSC		<p>4. Financial Management:</p> <p>Accounting financial statement analysis should be done bi -monthly .</p> <p>Secure investments: please elaborate on the meaning of secure investment</p>	<p>The proposed transitional standard seeks to convert the CBDA Rules into a prudential standard under which the Prudential Authority will be able to register, regulate and supervise CFIs.</p> <p>The prudential limits stated herein have not changed from the CBDA Rules.</p> <p>New proposals will be considered under the new framework for the regulation and supervision of CFIs.</p> <p> Comment on secure investments noted. The word 'secure' will be removed from the standard. The definition of 'investment' covers secured investments.</p>
		General		
32.	Alina Mamabolo		<p>Where can I find the document for 31 August 2018 Prudential Standards? I heard that you propose an increase to R5M for cooperative banks and I would like to oppose that proposal.</p> <p>Already it is difficult for CFIs to become Cooperative banks at a R1M requirements. The proposed limit will exclude a lot of stokvels that are</p>	<p>A link to the proposed standard was forwarded to the commenter on 4 September 2018.</p> <p>Also refer to item 9 in this document.</p>

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			<p>aiming to become Cooperative banks and that is not fair and it promotes monopolies. We need competitive environment for banks. I don't see the reason for you to change this limit.</p> <p>Don't forget to send me the link to the proposed new standards of 31 August 2018 so that I can see other changes that you have proposed for Cooperative banks.</p>	
33.	NACFISA		<ul style="list-style-type: none"> <li>- The rules are silent on Tax issues, we propose that a moratorium for 5 years on Tax for CFI is important and the PA must join the sector in advocating.</li> </ul> <p><b>No Tax for 5 years.</b></p>	<p>The proposed transitional standard seeks to convert the CBDA Rules into a prudential standard under which the Prudential Authority will be able to register, regulate and supervise CFIs.</p> <p>The prudential limits stated herein have not changed from the CBDA Rules.</p> <p>Matters relating to tax must be raised by the sector with the National Treasury.</p>
34.	NACFISA		<ul style="list-style-type: none"> <li>- The cooperative Banks are a different financial sector and we propose on the rules that a seat be allocated at the SARB board just like (agriculture, industry, government etc)</li> <li>- The sectors needs and philosophy are different from the current models and require different policies from current policies.</li> </ul> <p><b>The sector proposes a seat at the SARB.</b></p>	<p>These comments do not relate to the transitional standard under consideration.</p>
35.	NACFISA		<ul style="list-style-type: none"> <li>- In case we have a registered representative and/or accredited support organisation, the PA will need to make its training materials available to the organisation in order to insure that information shared to members and start-up CFIs is relevant and proper information approved by the PA.</li> <li>- This can also help improve, update and develop further the existing training and information materials.</li> </ul>	<p>These comments do not relate to the transitional standard under consideration.</p> <p>The CBDA will assist CFIs that approach the CBDA, whether the CFIs are registered or not.</p>
36.	Thembinkosi Njovane		<p>I would like to know why should co-operative banks rules be considered to be amended. In such short notice and no not be public</p>	<p>The draft urgent standard was published on the SARB and electronically</p>



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			announced through different medias?	<p>distributed to currently registered CFIs, applicant CFIs, registered national association for CFIs, the CBDA, co-operative banks and to two provincial departments, with the request to circulate as broadly as possible.</p> <p>The Prudential Standard is proposed as an urgent regulatory instrument in terms of section 100 of the FSR Act given that the Prudential Authority requires a regulatory framework in order to regulate and supervise CFIs.</p> <p>The proposed standard seeks to convert the CBDA Rules into a prudential standard under which the Prudential Authority will be able to register, regulate and supervise CFIs.</p>