



Ref.: 15/8/1/3

To: All co-operative financial institutions

Proposed Directive issued in terms of section 48 of the Co-operative Banks Act, 2007 (Act No. 40 of 2007)

Statement by individuals who are holding, or are proposing to hold, the office of a director, managing director or executive officer of a co-operative financial institution

Executive summary

Section 40B(1) of the Co-operative Banks Act, 2007 (Act No. 40 of 2007) (Co-operative Banks Act) requires that in order for a co-operative financial institution (CFI) to qualify for registration, or to continue to be registered, a CFI must, among other things, demonstrate, to the satisfaction of the Prudential Authority (PA) on an ongoing basis that it, inter alia, has the requisite experience, knowledge, qualifications and competence to give effect to its obligations and that it has sufficient human, financial, and operational capacity to function efficiently and competently.

CFIs are required to notify the Registrar of Co-operatives¹, through the Form CO-OP2, when a new director, managing director or executive officer has been appointed, such persons have changed addresses, or vacated the office.

The purpose of this Directive is to direct CFIs to complete a statement with regard to the fitness and propriety of current or proposed directors, managing directors or executive officers.

1. Introduction

1.1 Sections 40B(1)(a) and (b) of the Co-operative Banks Act require, among other things, that in order to qualify for registration, or to continue to be registered, a CFI must demonstrate, to the satisfaction of the PA on an ongoing basis that it, inter alia:

1.1.1 has the requisite experience, knowledge, qualifications and competence to give effect to its obligations; and

1.1.2 has sufficient human, financial, and operational capacity to function efficiently and competently.

1.2 In addition, paragraph 10 of the Prudential Standard TCFI-01 requires the manager, person to be appointed to the position of manager and members of the board of the CFI to have appropriate educational qualifications, experience or expertise, relevant skills and knowledge required for the effective and prudent management and

¹ The Registrar of Co-operatives as defined in the Co-operatives Act, 2005 (Act No. 14 of 2005)

oversight of the CFI. Furthermore, executive officers² appointed by the CFI are required to be competent to prudently manage the business of the CFI.

1.3 In terms of sections 6 and 39 of the Co-operatives Act, 2005 (Act No. 14 of 2005), CFIs are required to notify the Registrar of Co-operatives, through the completion of Form CO-OP2:

1.3.1 of the full names, address and identity number of each person appointed as a director, within 30 days of such appointment;

1.3.2 of any change of address of a director, within 30 days of knowledge of such change;

1.3.3 after any director has vacated office, within 30 days of such vacation;

1.3.4 of the reason for the resignation or removal of a director from office; and

1.3.5 of such further information as may be prescribed by the Minister.

1.4 To ensure effective implementation and administration of the Co-operative Banks Act and to protect members and the public in general, section 48 of the Co-operative Banks Act enables the PA to issue a directive to a CFI to, inter alia:

1.4.1 implement specific practices, procedures or processes; and

1.4.2 take specific actions or measures.

2. Directive

2.1 Based on the aforementioned, and in accordance with the provisions of section 48 of the Co-operative Banks Act, CFIs are hereby directed as follows:

2.2 A duly completed statement and declaration (Form CBF2³) must be submitted to the PA by the CFI in respect of:

2.2.1 every person who for the first time accepts an appointment as a director⁴, managing director or executive officer of a CFI at least 30 days prior to the appointment becoming effective;

2.2.2 every person who previously served as a director⁵, managing director or executive officer of a CFI, but subsequently resigned as such and is being reappointed as a managing director or executive officer of a CFI, after a period of more than twelve months since the date of resignation, at least 30 days prior to the appointment becoming effective; and

2.2.3 any serving director, managing director or executive officer of a CFI, at the request of the PA.

2.3 A copy of the Companies and Intellectual Properties Commission (CIPC) Form CO-OP2, submitted to the Registrar of Co-operatives, must also be submitted to the PA.

2.4 The Form CBF2 must be submitted to the PA in respect of all existing directors, managing directors and executive officers within six months of the date of this Directive.

² Prudential Standard TCFI-01 defines executive officers to include any employee of the CFI that reports directly to the manager of the CFI.

³ <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/co-operative-banks-forms/2010/8567>

⁴ If elected as a director of a CFI at least 30 days after the annual general meeting.

⁵ If re-elected as a director of a CFI at least 30 days after the annual general meeting.

- 2.5 The PA may require CFIs to submit the Form CBF2 on an ad hoc basis when deemed necessary and in line with the application of a risk-based approach to supervision.
- 2.6 The PA may object to the appointment of directors, managing directors or executive officers of a CFI where such person is considered by the PA not to be fit and proper to hold the relevant position. Furthermore, the PA may issue a directive in terms of applicable legislation, directing the CFI to remove the person within a period stated in such a directive.
3. **Invitation for comment**
- 3.1 CFIs and other interested persons are hereby invited to submit their comments on the proposed Directive to pa-bankingteam1-memberbased@resbank.co.za by 10 July 2023.
- 3.2 The comments received may be published on the PA's website, unless a respondent specifically requests confidential treatment.

Fundi Tshazibana
Chief Executive Officer

Date: