



# The development of a deposit insurance scheme for South Africa



SOUTH AFRICAN RESERVE BANK

**CODI**

Corporation for Deposit Insurance

## From the Interim CEO's desk

The Corporation for Deposit Insurance (CODI) was established as a legal entity about seven months ago and has been working diligently to ensure the successful implementation of the deposit insurance scheme in April 2024. Once CODI is fully functional, it will be in a position to collect financial contributions from banks, which will be used to provide payouts to depositors in the event of their bank failing and to cover CODI's operational expenses.

The Board of Directors responsible for overseeing CODI's operations is now in place, along with an Investment Committee that will be responsible for investing the premiums and liquidity contributions from the banks. Legislation outlining the specific requirements for banks is expected to be passed by Parliament before the end of the year.

In this newsletter, the CODI team provides information on deposit insurance in the form of responses to frequently asked questions. If you need further clarification or have any other queries, please contact us at [CODI@resbank.co.za](mailto:CODI@resbank.co.za).

Hendrik Nel  
Interim CEO: CODI

### Is deposit insurance protection provided to all depositors?

CODI will protect deposits held by natural or non-financial persons (i.e. individuals and non-financial entities), offering protection for products where the capital balance is guaranteed and repayable at par. Depositors who qualify for deposit insurance protection typically include:

retail/individual depositors, including minors;

- non-financial corporate depositors, including sole proprietors;
- foreign retail and non-financial depositors;
- legally incapacitated depositors;
- deceased qualifying depositors;
- charitable or non-profit organisations;
- religious entities;
- trade unions; and
- consumer associations.

### Which banking products are covered by CODI?

CODI will cover accounts in qualifying products where the nominal balance is guaranteed and repayable at par. Qualifying products typically include, but are not limited to, the following account types:

- current accounts;
- term and notice accounts;
- savings accounts;
- transactional accounts;
- Islamic Wadi'ah product;
- Islamic Qard product;
- Islamic Murabaha product; and
- tax-free savings deposits.

Do you have any questions? Email them to [CODI@resbank.co.za](mailto:CODI@resbank.co.za)

## How would depositors know if their deposits are protected by CODI?

When CODI becomes operational, banks will be obligated to provide their depositors with information on CODI, including whether they are a qualifying depositor and whether their deposits will be protected or not. Furthermore, banks will be obligated to outline whether a product qualifies for depositor protection in the terms and conditions of a banking product as well as in any newly concluded individual agreements. In addition, banks' staff should be able to answer depositor's questions about whether they are qualifying depositors or their accounts are in qualifying products.

## Are depositors required to apply or register for deposit insurance protection?

No, depositors are not required to apply or register for deposit insurance protection. Deposit insurance is automatically provided for qualifying depositors' accounts in qualifying products at [member banks](#).



## Are deposits placed with a member bank by non-residents covered by CODI?

Yes, foreign retail and non-financial depositors who hold qualifying products at member banks will qualify for deposit insurance protection.

Depositors can access CODI's webpage at [www.resbank.co.za](http://www.resbank.co.za), where CODI publishes the latest information on deposit insurance, including frequently asked questions (FAQs), newsletters, discussion papers and the deposit insurance legislation. CODI welcomes any questions on deposit insurance from the public at [CODI@resbank.co.za](mailto:CODI@resbank.co.za).

## Which types of deposits are not protected?

CODI will not cover:

- deposits by banks;
- 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;
- deposits by government institutions, including local, provincial and national government, public financial sector entities, the Public Investment Corporation (PIC), the Corporation for Public Deposits (CPD), other public non-financial corporations and monetary authorities;
- shares;
- accounts where the capital amount is not guaranteed and not repayable at par;
- holdings of commodities; and
- electronic money products.

## What if a depositor has foreign currency deposits?

In the case of foreign currency deposits, qualifying depositors with accounts in qualifying products in foreign currencies are covered up to a limit of R100 000 per depositor per bank. If a bank fails, foreign currency balances will be converted to South African rand (ZAR) before a depositor is reimbursed.

For example, Trudy Stewart holds a foreign currency notice deposit with Bank A. Bank A must convert her foreign currency balance to ZAR using close-of-business market exchange rates:

- Trudy Stewart's foreign currency balance in her notice deposit: US\$4 000
- Close-of-business market exchange rate at the reporting date: US\$1 = ZAR19
- Trudy Stewart's account balance in ZAR: US\$4 000 x 19 = R76 000

Therefore, if Bank A fails, Trudy Stewart would be covered for R76 000.

Do you have any questions? Email them to [CODI@resbank.co.za](mailto:CODI@resbank.co.za)

## How will CODI treat joint accounts?

A joint account is an account with two or more account holders. In terms of CODI's protection, the balance in a joint account will be divided equally among the account holders, unless the account holders have asked the bank to record a different sharing ratio in its records. CODI will protect the qualifying depositors' balance in the account by considering other accounts they may have at the same bank in the event of their bank failing.

For example, Tshepiso and Lazola have a joint savings account at Bank B with a balance of R180 000. They did not ask the bank to record a specific sharing ratio. Tshepiso has a cheque account at Bank B with a balance of R20 000. Tshepiso and Lazola are both qualifying depositors. CODI will protect them both up to R100 000, implying that, if bank B fails, Tshepiso and Lazola will each be protected for 50% of the joint savings account balance (i.e.  $R180\,000/2 = R90\,000$  each). Tshepiso will be protected for another R10 000 for his cheque account balance, to get the maximum protection of R100 000 from CODI.



## Do sole proprietors enjoy separate deposit insurance protection?

Yes, if an individual holds accounts in qualifying products in their name as well as business accounts as a non-financial sole proprietor, they will qualify for up to R100 000 for their business accounts and up to R100 000 for their personal accounts. To ensure separate coverage for a sole proprietor, the bank must be informed about which accounts the qualifying depositor uses for business purposes in order to report the business and personal accounts separately to CODI.



## What if a depositor has several deposit accounts with the same member bank?

CODI provides protection of up to R100 000 per qualifying depositor, **per bank**. The combined balances of all the depositor's accounts in qualifying products will be considered to determine the amount covered by CODI. For example, Mrs Thwala has three accounts with Bank A:

- Savings account: R20 000
- Tax-free savings deposits: R35 000
- Transactional accounts: R50 000

Mrs Thwala's qualifying deposit balance is R105 000. CODI's protection is up to R100 000 per qualifying depositor, per bank. Therefore, if Bank A fails, Mrs Thwala would be covered for R100 000.

## How will CODI treat formal beneficiary accounts?

A formal beneficiary account (FBA) is an account held and managed by a third party for the benefit of one or more beneficiaries. The FBA holder is not the owner of the funds in the account – the underlying depositors are the owners of the funds. The FBA holder is the bank's customer as the account holder. In terms of the Financial Intelligence Centre Act 38 of 2001 (FIC Act), an FBA holder is an accountable institution, given its responsibility to maintain formal records of its beneficiaries and their respective balances.

Example: John is a beneficiary to Mila Property Trust. John is entitled to R50 000 in Mila Property's trust account. John also has other deposits with Bank D:

- Savings account: R10 000
- Tax-free savings deposits: R35 000
- Trust account balance due to John: R50 000

If Bank D fails, John will receive a payout of R95 000, which includes his portion in the trust account.

## Can I purchase additional protection if my deposit amount is more than R100 000?

No, qualifying depositors with balances exceeding R100 000 cannot buy additional deposit insurance cover. Should their bank fail, CODI will provide access up to R100 000 for their covered deposits. Any balance above R100 000 will remain in the estate of the failed bank. Depositors can then make claims for balances exceeding R100 000 from the failed bank's estate, which will be managed by the liquidator.



## How will CODI treat informal beneficiary accounts and co-operative financial institutions?

Informal beneficiary account holders (IBA holders) are not accountable institutions in terms of the FIC Act, meaning they do not need to comply with the FIC Act's record-keeping requirements. A stokvel is an example of an IBA. A stokvel opens a stokvel-type of account at a bank and the members of the stokvel appoint signatories to manage the account on their behalf. The stokvel signatories are not accountable institutions in terms of the FIC Act, meaning they do not need to comply with the FIC Act's formal record-keeping requirements. CODI cannot rely on their record-keeping about the members of the stokvel and their holdings in the stokvel. For example, Savings Stokvel has five qualifying accounts with Bank C, each with a balance of R40 000, resulting in a total deposit balance of R200 000 for Savings Stokvel. CODI will protect Savings Stokvel up to R100 000 for its consolidated account balances. If Bank C fails, CODI will grant the signatories of Savings Stokvel access to the R100 000 for which it is protected.

Similar to stokvels, co-operative financial institutions (CFIs) are not considered accountable institutions in terms of the FIC Act. CODI will cover a CFI in the same manner as an IBA.

If a bank acts as an accountable institution for IBAs (such as stokvels) by identifying the members of the stokvel (or CFI) and their balances in the accounts monthly, it can report the members of a stokvel as qualifying depositors who will then be the beneficiaries of the FBA. This will enable CODI to cover every qualifying beneficiary up to R100 000 after considering their other accounts in other qualifying products at the particular bank.