



SOUTH AFRICAN RESERVE BANK

Press release

24 May 2021

Invitation from the South African Reserve Bank to comment on a discussion document on the use of the deposit insurance fund to reimburse covered depositors

The South African Reserve Bank (SARB) has published for public comment a discussion paper titled [‘Using the deposit insurance fund to reimburse covered depositors’](#). The paper describes the proposals for the reimbursement of covered depositors of a failed bank by the Corporation for Deposit Insurance (CoDI), after its establishment in terms of the Financial Sector Laws Amendment Bill (FSLAB).

The paper focuses on how CoDI will use the information submitted by banks on a monthly basis to prepare for its role in the resolution of a distressed bank. CoDI’s main responsibility in resolution will either be to pay out covered depositors in the event that a bank is closed and liquidated or to financially support an open bank resolution strategy of a systemically important financial institution.

The paper also provides details about the processes to be followed to utilise the deposit insurance fund (DIF) and the reimbursement methods to be used by CoDI. It covers the process for paying out covered depositors and other considerations relating to reimbursements, such as the threshold for payout, the payout currency and statements to depositors. Finally, the paper deals with post-reimbursement considerations and supporting mechanisms to be implemented by CoDI for paying out the covered depositors of a failed bank.

The proposals take into account country-specific characteristics and applicable international standards. They aim to contribute to creating a deposit insurance scheme that will enhance the financial safety net to serve the needs of the South African financial system optimally.

Contact details and the deadline for comments

Address comments on this discussion paper to:

Interim Chief Executive Officer
Corporation for Deposit Insurance
South African Reserve Bank
P O Box 427
Pretoria 0001

Tel. +27 12 313 3601

Email: CoDI@resbank.co.za

Please state your affiliation or whether you are commenting in your personal capacity.

Please also note that a summary of the comments received may be published unless respondents explicitly request otherwise.

The closing date for comments is 30 June 2021.

Background

On 25 September 2018, National Treasury published the FSLAB. The promulgation of the FSLAB will give effect to the proposals contained in the following discussion papers: (i) 'Strengthening South Africa's resolution framework for financial institutions' (published on 13 August 2015); and (ii) 'Designing a deposit insurance scheme for South Africa' (published on 30 May 2017). The amendments will strengthen the ability of the SARB to manage the orderly resolution or wind-down of a failing financial institution, with minimum disruption to the broader economy. In addition, the amendments will provide for the establishment of CoDI, with the main aim to protect the most vulnerable and covered depositors' funds in the event of a bank failure through a speedy payout. These amendments apply to all registered South African banks, including mutual and cooperative banks.

The FSLAB contains the high-level enabling framework for the establishment of CoDI. In 2020 the SARB started with the publication of a series of discussion documents on the key aspects that will affect and facilitate the operationalisation of CoDI. These documents will be converted to secondary legislation after the promulgation of the FSLAB. The previously published papers in the series focused on the coverage and reporting rules, CoDI's funding model and its implications for banks, and the data definition and reporting requirements for banks.

Issued by SARB Media Relations:

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