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| 30 September 2022 |  |  |
| Mr B M Maneli, MP | Doc Ref: | MARKB/#317853 VI |
| Chairperson  Portfolio Committee on Communications | Your ref: |  |
| Parliament of the Republic of South Africa  PO Box 15 | Direct | +823127964 |

MarkB@banking.org.za cape Town, 8000

Per email: c/o hsalie@parliament.gov.za

Honourable Mr Maneli

# Invitation to furnish the Portfolio Committee on Communications with a written presentation to the Committee on the Postbank amendment bill

With reference to your letter dated the 5th of September 2022, and the extension for commentary to the 4th of October 2022, we wish to thank the Portfolio Committee on Communications for the opportunity to comment on such an important bill.

The Banking Association South Africa (BASA) is the trade association for the banking industry, and as such, is the official voice for the industry on matters that seek to advance the interests of the industry with regulators, legislators, and stakeholders. Our mandate extends to ensuring the banking industry remains sustainable, profitable and better able to contribute to the social and economic development and transformation of our country.

The Postbank has been a member of BASA since January 2020 and has been engaging with BASA on matters relating to banking and participating in our committees, for a few years prior to their membership. It is therefore unusual for BASA to comment directly on the operating models of our members. However, as this is a bill before Parliament, we shall make some broad observations in support of its passage.

The Postbank has been operating as a bank in South Africa, under an exemption notice from the Prudential Authority for many years. This means that is has been permitted to accept deposits as a bank, but without the reporting obligation to the South African Reserve Bank as the regulator and supervisor of banks. The Postbank, as a state-owned entity, has been working towards achieving a full banking license for many years and this bill will provide much needed impetus to their journey.

As BASA, our members support a competitive banking industry. We are therefore supportive of any new bank entering the industry that is registered with, and regulated by, the Prudential Authority of the South African Reserve Bank.

It is important to recognise that the license of a bank is issued to take deposits and does not extend to the lending activity of banks. Depositors are treated in the Banks Act, as a class of citizen that are most vulnerable in our society, irrespective of their financial education, with all other citizens considered as investors, motivated by the combinations of risk and reward. Depositors should not have to worry about the financial strength of the bank they place their money with.

The Prudential Authority has been empowered to ensure that citizens deposits are managed prudently by banks, and that the management and directors of banks meet stringent fit and proper requirements. This regulatory rigour embodies the cumulative efforts of our central bank and international standard setting

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| Registration Number  Directors  Company Secretary | 1992/001350/08 A non-profit company under the Companies Amendment Act, 3 of 2011  L Fuzile (Chairman), Ms B Kunene (MD), AP Pullinger, RJ Wainwright, MWT Brown, GM Fourie, M Sassoon, JK Bedu-Addo (Ghanaian), PW Taylor, A Rautenbach, HD Kallner Ms N Jones (née Buthelezi) |

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bodies, to create a framework that ensures the safety and soundness of banks, will protect the customers of banks and support the broader economy.

South Africa subscribes fully to international banking standards, and we believe that the banking industry adds enormous value to the flow of foreign funds into South Africa, as international investors can rely on our central bank to regulate and supervise their money to international standards. The Postbank joining the supervisory oversight of the Prudential Authority, will enhance our reputation for excellence.

The regulatory oversight by the Prudential Authority will build an additional layer of trust between the Postbank and its depositors while developing transferable skills for staff. The nature of banking is such, that there is competition for scarce resources and highly skilled and experienced staff, will be needed to grow the Postbank into the full-service banking business envisaged by many.

Addressing the specifics contained in the draft bill, at page 3, we concur with S3(b)(2)(c) on the oversight function of the board of the bank controlling company.

"(c) The bank controlling company shall exercise oversight over the Postbank and ensure that the Company exercises sound risk management and governance practices, in accordance with the Banks Act."

However, such oversight is not empowered through the proposed amendment to Section 10 of the Act on page 4 of the bill, by the introduction of subsections 3, 4 and 6.

"(3) The members of the Board of the Company are also the members of the Board of the bank controlling company.

(4) The Board must exercise control over the Company.

(5)

(6) The Board of the bank controlling company shall be the same as the one serving on the Company."

We would suggest that the composition of the board of the bank controlling company be materially different to the board of the bank. In this regard, material would mean more than 50% of the board of the controlling company would not be board members of the bank. The envisaged shareholder oversight would require the ability for the board members of the controlling company to challenge the board of the bank.

In concluding, as one of our members, we want to see the Postbank succeed and compete openly in the banking industry. The Prudential Authority will provide the necessary oversight to ensure that depositors will be protected and together with many other regulators, will apply a prudent approach to deposit taking and lending as collectively they ensure that "other people's money" entrusted to the Postbank can be repaid ontime and in full.

We welcome the expeditious conclusion of this bill, so that the Postbank can begin building its brand amongst our citizens.

We do not believe that it is necessary to present to the Portfolio Committee on Communications but would be willing to do so if requested.

I trust that you will find our submission useful and supportive of this bill.

Yours sincerely



DocuSigned

by:

Mark Brits

Senior General Manager — Prudential Division

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