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BANKING & FINANCE

The South African Reserve Bank announces South Africa's first Deposit Insurance Body

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The South African Reserve Bank (SARB) announced the establishment of the **Corporation for Deposit Insurance (CODI)** – the first bank deposit insurance body in South Africa – in its media statement dated 3 April 2023 (Media Statement).

CODI's primary responsibilities, as per the Media Statement include:

1. establishing, maintaining and administering a bank deposit insurance fund; and
2. informing depositors of the benefits and limitations of the deposit insurance fund should a bank be placed into resolution and the affairs of the bank are being managed by the SARB.

The Media Statement published by the SARB should be considered with the explanatory statement by Mr Kueben Naidoo, the Deputy Governor of the SARB, wherein he advises that:

(i) from 1 April 2024, South African depositors will be protected by CODI;

(ii) CODI is an entity located in the SARB, with its own independent board;

(iii) CODI will protect all depositors with qualifying deposits;

(iv) CODI is funded by a levy charged to banks on their deposits;

(v) locally registered banks have partnered with CODI to ensure that CODI is able to repay investors' deposits; and

(vi) with CODI, depositors should be able to receive their money, within two to three weeks, if the bank is placed into resolution.

The establishment of CODI follows the promulgation of the Financial Sector Laws Amendment Act 23 of 2021 where, among other legislation, the Financial Sector Regulation Act 9 of 2017 was amended to, *inter alia* –

1. provide for the establishment of a framework for the resolution of designated institutions;
2. designate the SARB as the Resolution Authority for designated institutions;
3. establish a deposit insurance scheme including a Corporation for Deposit Insurance and a Deposit Insurance Fund;
4. provide for co-ordination, cooperation, collaboration and consultation between CODI and other entities in relation to financial stability and the functions of these entities; and
5. provide for information required to assess the applicable levy payable by locally registered banks on deposits received.

In addition, the SARB, in its Media Statement indicated that CODI is currently developing secondary legislation which will specify the limit to which depositors will be covered by the Deposit Insurance Fund. The secondary legislation will be passed through a parliamentary process and is intended to be published by the National Treasury during the course of 2023, so that CODI becomes operational in 2024.

CODI, forms part of the Twin Peaks regulatory reforms following the 2008/2009 global financial crisis. CODI is aimed at supporting the SARB's mandate of enhancing and protecting financial stability through monitoring the South African financial sector and mitigating systemic risks which have the potential to disrupt the financial system.

The announcement of CODI comes at a poignant time in global banking where the world has just witnessed the collapse of banks such as the Silicon Valley Bank, Signature Bank and Credit Suisse Group AG. The establishment of CODI is intended to place South African depositors in a better position than they have been historically.

The South African Reserve Bank's new monetary policy implementation framework

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