



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

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**ADDRESS BY THE DEPUTY MINISTER OF FINANCE DR DAVID MASONDO, MP AT  
THE YOUNG WOMEN IN BUSINESS NETWORK COCKTAIL DINNER**

**DATE: 1 JUNE 2021**

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Ladies and gentlemen, thank you for the opportunity to speak here today. Congratulations are in order to the leadership of this mutual bank which is in its formation stages for reaching such an important milestone.

In recent years, government has undertaken a number of initiatives to accelerate financial inclusion and the competitiveness of the South African banking landscape. These include promoting entry into the banking sector, creating an enabling framework for co-operative banks, creating a framework which enables the licensing of qualifying state-owned banks, introducing a deposit insurance framework, taking forward the Financial Sector Charter to foster transformation in the financial services sector and improving access to housing and small business finance.

In February 2011, government signaled the process of implementing significant and far-reaching changes to the country's financial regulatory structure. The 2011 policy document, *"A Safer Financial Sector to Serve South Africa Better"*, first proposed the shift to a Twin Peaks model of regulation. Twin Peaks aims to make the financial sector safer and work more effectively in the interests of all South Africans, by reducing potential threats to financial stability and better protecting customers by ensuring that financial institutions treat their customers fairly.

In terms of the Twin Peaks changes, two new regulators were established on 1 April 2018. The Prudential Authority of the South African Reserve Bank was established as a dedicated prudential regulator, while the Financial Sector Conduct Authority was established as dedicated market conduct regulator.

The twin peaks reforms seek to contribute to the safety and soundness, and also the fair treatment of financial institutions by financial institutions. The Prudential Authority monitors the capital adequacy requirements of financial institutions. This is done in the interests of ensuring the safety of customer deposits as well as the stability of the South African financial system.

### ***Lessons from recent South African bank failures***

Ladies and gentlemen, it is vital that regulated institutions are able, at all times, to ensure that they avoid the pitfalls that have led to the failure of some banking institutions in South Africa as well as globally. Regulated institutions must also adhere to the directives of their regulators, who are mainly the Prudential Authority, the FSCA, the South African Reserve Bank, the Financial Intelligence Centre and the National Credit Regulator.

It is vital that banks are managed prudently at all times to ensure that member deposits are protected. When Saambou Bank was placed under curatorship by the Minister of Finance in September 2002, it was against the backdrop of it having been managed in a reckless manner. We will all remember, African Bank was placed under curatorship by the Minister of Finance in August 2014. At the epicentre of African Bank's collapse was the reckless conducting of the affairs of the bank. And most recently, VBS Mutual Bank was placed under curatorship in March 2018, on the backdrop of a severe liquidity crisis. Information in the public domain states that the audited financial statements of VBS Mutual Bank were fraudulently misstated, and it made it difficult for the then Registrar of Banks to ascertain VBS Mutual Bank's correct financial position.

## ***The importance of ethical leadership particularly in the banking and financial services sector***

I know this is a momentous occasion and we all in a mood to celebrate the first women owned bank in South Africa and you are wondering why I am talking about a grim subject such as bank failures. It is indeed my duty to remind the leadership of this new mutual bank that running a bank is a huge responsibility which must never be taken lightly.

Financial institutions do not operate just like ordinary companies but carry specific responsibilities towards the communities that they serve. The way people save and invest and how banks allocate capital between alternative uses, brings critical economic and social consequences that cannot be ignored in favour of short-term profit goals. No doubt the 2008 global financial crises put focus on the issue of ethical leadership in banking and the financial services sector more broadly and increasingly advocates of ethical banking are getting increasing attention from policy makers.

This is therefore a reminder that ethical and value based leadership will be key to the success of this mutual bank.

### **Financial Inclusion and Access to financial services for SMMEs**

Progress has since been made towards the development of South Africa's Financial Inclusion Policy, with the publication of a draft policy paper "*An Inclusive Financial Sector for All*". This draft policy paper, cites extending access to financial services for Small Business as one of the three key pillars of financial inclusion and I believe that this mutual bank is going to play a very critical role in this regard.

We all know that SMMEs and Co-operatives are at the epicenter of accelerated economic growth and development of our country as emphasized by the NDP but this is also true globally. To ensure that SMMEs and Co-operatives play their role as envisaged, it is

imperative that their growth potential is unlocked so that they become competitive, sustainable and profitable and that they graduate from being small businesses and participate in the mainstream economy. This mutual bank should therefore not lose sight in terms of the critical role it is expected to play in the promotion of small businesses.

## **Conclusion**

In conclusion, I would like to assure you of government's unwavering commitment towards the development and transformation of the financial services sector. But I also wanted to remind you of the huge responsibility you are taking on with regards to the establishment of this bank, as well as the critical role it will play in the communities by supporting the growth and development of SMMEs. Furthermore let us not discount the critical need of ethical and value based leadership.

Government is committed to continuously, together with the industry and other stakeholders, introduce reforms that will assist the broader financial services sector, to be able to grow and contribute positively and sustainably towards the inclusive growth of the economy.

Working together we can do more.

**Thank you.**