



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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SPEECH BY MINISTER OF FINANCE

SPEECH BY THE MINISTER OF FINANCE, MR ENOCH GODONGWANA, AT THE SOUTH AFRICAN RESERVE BANK LAUNCH OF THE CORPORATION FOR DEPOSIT INSURANCE (CODI)

PLACE: SANDTON, JOHANNESBURG

DATE: 25 APRIL 2024

Good afternoon to the Governor of the South African Reserve Bank Mr Lesetja Kganyago;

Deputy Governors of the Reserve Bank,

FSCA Commissioner, Unathi Kamlana,

Banking Association South Africa Managing Director, Bongi Kunene,

Ladies and gentlemen,

INTRODUCTION

Today, we celebrate the launch of the Corporation for Deposit Insurance (CODI), a significant step in overhauling South Africa's financial regulatory structure and advancing the Twin Peaks model. A special commendation to Deputy Governor Ms. Fundi Tshazibana, who as CEO of the Prudential Authority, has expertly steered this pivotal regulatory evolution to success.

WHAT IS TWIN PEAKS?

The Twin Peaks model revolutionizes financial safety and consumer protection by splitting regulatory duties into two focused areas: one ensures financial institutions are robust and secure, and the other safeguards consumer interests. This model not only enhances the system's stability but also bolsters consumer confidence by offering clearer oversight and



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY MINISTER OF FINANCE

reducing financial crisis risks. It positions two dedicated bodies - the Financial Sector Conduct Authority and the Prudential Authority - at the forefront, enhancing the management of complex financial systems and boosting both consumer and investor confidence.

The establishment of CODI underpins the consumer protection pillar, securing depositors by guaranteeing access to up to R100,000 of their deposits in case of a bank failure - an essential safety net in our rapidly evolving financial landscape.

Before delving into the integral relationship between financial regulation and inclusion, let's reflect on the journey and milestones leading to today's achievements, emphasizing that policy evolution is a long-term endeavor rooted in thorough analysis and robust institutional capacity. Fortunately, unlike other policy areas, our financial sector reforms have largely avoided hasty, uninformed changes, demonstrating what steadfast commitment to clear policies can achieve.

KEY MILESTONES

The Twin Peaks model, introduced by the National Treasury in 2011, was crafted in response to vulnerabilities exposed by the global financial crisis. The Financial Sector Regulation Act of 2017 laid the legal foundation, establishing the Prudential Authority and the Financial Sector Conduct Authority in 2018. These bodies have since been fine-tuning regulations, adapting to new technologies, and enhancing their oversight capabilities.

The COFI Bill, key to further solidifying this framework, has been refined through public consultations and is slated for parliamentary consideration later this year.

Its focus on preventing bank failures from broadly impacting the financial system and economy is a testament to our proactive regulatory approach, preventing crises that have historically had devastating socioeconomic effects.

POLITICAL AND SOCIOECONOMIC CONTEXT: THE NEED FOR TWIN PEAKS



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY MINISTER OF FINANCE

Trust is fundamental to any financial system's effectiveness and existence. Yet, global trends, especially post-2008, show a marked decline in trust towards financial regulators, attributed to regulatory failures and perceived alignment with financial elites rather than the public.

To counteract this, we must adopt a regulatory framework that is as dynamic and proactive as the financial sector itself. This involves not only adapting to but anticipating market changes, ensuring transparency, and enhancing public understanding and engagement in financial regulation.

CONCLUSION

Regaining public trust in financial regulation requires deep structural reforms and a shift towards greater accountability, transparency, and public inclusivity.

Let's continue to guide our regulatory processes with the principle that they should serve the broader populace, maintaining the integrity of an economy that thrives on the trust and confidence of its people.

We take this opportunity to congratulate the Reserve Bank for its exemplary efforts.

ENDS