



**MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA**

**MEDIA STATEMENT ON FINANCE MINISTER'S MEETING WITH THE BANKING
INDUSTRY**

The Minister of Finance met this morning with the chief executives and chairpersons of banks. The theme of the meeting was the role of banks in South African society, highlighting the positive role banks could play in meeting the country's socio-economic challenges, and contributing to the achievement of the vision as outlined in the National Development Plan. The meeting follows a similar meeting held in May 2010.

GLOBAL CHALLENGES

The meeting discussed the on-going European and global financial crisis. The Minister and the representatives of banks noted that while the global environment continued to be challenging, South African banks remained well-capitalized, liquid and solvent. Indeed, lending conditions had improved, with credit extension beginning to rise. The latest banking results pointed to a recovery in the profitability of banks.

In particular, the representatives of banks confirmed the build-up of corporate cash balances and noted that this was a global phenomenon, which was typical of global uncertainty and a lack of investor confidence. This provided opportunities going forward to unlock money for investment in emerging economies.

BANKING ENQUIRY RECOMMENDATIONS

The Minister noted progress the banks had made in meeting some of the recommendations of the Banking Enquiry. There was more to be done to ensure that all South Africans had access to fair and cost-effective banking services. The services offered to middle- and low-income South Africans must be guided by simplicity, comparability, transparency, accessibility and competitive costs.

South Africans must increasingly and more significantly experience banks as facilitators to meet their needs at an affordable cost.

REGULATION

The twin peaks approach is on track, and legislation should be introduced into Parliament during 2013. The shift to a twin peaks approach to financial regulation will lead to the creation of a dedicated market conduct regulator. This regulator will take steps to ensure transparency in banking fee structures, competitive banking conditions and work towards a single approach to treating customers fairly that spans across the entire financial sector, including banks.

The representatives of banks and the Minister noted the rapid increase in unsecured lending. The meeting agreed that the poorer households were at risk of getting caught in a debt spiral. Although some of this lending was by non-bank financial institutions, including retailers, banks could do more to ensure that they lend responsibly and do not contribute to household over-indebtedness.

While there are currently no systemic risks, the meeting noted and supported the close attention that unsecured lending is receiving from the SA Reserve Bank's Bank Supervision Department. There will be further engagement with financial and non-financial institutions on this issue so that South Africans are not over-indebted.

The international regulatory requirements for banks were discussed. Progress in meeting Basel 3 requirements was noted, and the announcement of measures to assist banks to meet the liquidity coverage ratio was welcomed. Banks noted the on-going efforts of the National Treasury and the Financial Services Board to ensure South Africa's compliance with the G-20 requirements for clearing and reporting of derivative transactions.

GATEWAY TO AFRICA

The substantial global increase in interest in Africa was noted, as well as the fact that South Africa was well placed to benefit from this. If South Africa is to benefit fully from this interest in sub-Saharan Africa, government and the private sector must work together closely. The meeting agreed that the promotion of South Africa as a financial centre for Africa and as a "gateway" for investment in the continent was an imperative.

INFRASTRUCTURE

Banks indicated their strong support for the vision of the National Development Plan, and noted that they could play a key role in both the financing of the key infrastructure projects as well as assist in providing the technical capacity to speed up the delivery of such infrastructure.

Constraints to a smoother working relationship between the financial sector and government were identified, and the meeting agreed that the Minister of Finance will coordinate attempts within government to remove these blockages.

The meeting concluded with both banks and the government noting the need for continued active engagement on the challenges faced by South Africa and that achieving the vision set out in the National Development Plan would require a concerted effort by all. The meeting also agreed to establish a standing committee made up of representatives of banks and National Treasury officials to take forward the issues identified at the meeting.

Issued by: Ministry of Finance
27 August 2012