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KEYNOTE ADDRESS
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FINANCIAL SECTOR CAMPAIGN COALITION CONFERENCE
**“TRANSFORMING THE FINANCIAL SECTOR:
GOALS, PROGRESS AND CHALLENGES”**
25 JULY 2005

Good morning colleagues, distinguished guests, ladies and gentlemen.

Thank you to the FSCC for inviting me to address you at this significant gathering. It seems appropriate that, in the midst of so much change, we pause to take stock of where we have come from, where we are going and what challenges remain to be overcome.

For, certainly, we are experiencing change in the financial sector on an unprecedented scale. A combination of global forces and social imperatives has found momentum in a sector that for many years was grounded in outdated business models and an unsustainable vision.

In 1994, we inherited a financial sector that had developed within the context of an inward-looking policy environment, skewed investment opportunities and ownership by the few. Years of political and economic isolation meant that our regulatory structure had become progressively out of line with international standards. A highly concentrated financial sector meant that there was limited competition to bring down the costs to consumers or spur innovation. A political dispensation that did not care for the majority of its people found its reflection in a financial sector that paid scant regard to the interests of the average consumer. A profound mismatch existed between the allocation of capital and the development needs of our country.

The hallowed halls of finance stood on a hill, removed from the needs of the majority of our society. The façade was grand, but the very foundations on which they were built were uneven.

The situation inherited in 1994 was therefore not so much one of having to build financial sector institutions, but rather one of having to undertake serious transformation.

A financial system that does not serve the needs of all South Africans is a dysfunctional financial system. It is an anomaly that requires urgent redress.

This was the cry that rang out loud and clear by people around this room at the Financial Sector Summit. The guiding vision has been to modernise the architecture of these halls of finance, while at the same time opening the doors to all.

As was recognised at the Summit, the process of transformation requires a collective effort. Through the collective finalisation of the Financial Sector Charter commitments, we are giving common voice to a vision of how these challenges will be met.

The Financial Sector Charter will add a deep social dimension to the functioning of our financial system. It goes to the core of how the financial sector will address the urgent need to make business sense of a more sustainable, inclusive and equitable future.

Truly sustainable transformation requires that empowerment be broad-based and multi-dimensional. On one level, this means that empowerment goes beyond the narrow definition of ownership deals, but embraces a broad spectrum of elements, including human resource and enterprise development, targeted investments and access to finance. While increasing the level of ownership of black people in corporate South Africa is absolutely important; building the economy, increasing production, creating jobs, developing young black managers and investing in social development are just as critical in shaping economic transformation.

Similarly, competitive efficiency and broader development cannot not be jeopardised by an empowerment process that favours the few. Our financial halls must never become exclusive retreats where financiers sip on fine wine and congratulate themselves on their latest get-rich-quick schemes. Black economic empowerment guidelines should facilitate the broadening of participation in the ownership and control of our economic assets. This requires us to put our collective heads together to carefully consider elements such as the mobilisation of worker's savings through retirement funds; the prevention of fronting through beneficiary funds; and the potential for exclusion of new or smaller black companies from the empowerment process due to a lack of upfront capital.

At the same time, measures designed to achieve our empowerment and transformation goals must be implemented in such a way that they do not jeopardise ongoing financial stability.

A volatile financial system – and by extension the macroeconomic turmoil this can cause – serves neither the aims of competitive efficiency, nor of empowerment. As such, transformation must continue unfolding within an environment where the integrity of our regulatory system remains paramount. We want to expand and open our halls of finance. But at the same time we want to ensure that the structures remain sound and continue to provide steadfast shelter.

Effecting sustainable change in the orientation of the financial sector will demand thoroughness, diligence and a measure of patience. The room for change has been confirmed in the Financial Sector Charter, whose orientation presents a touchstone for other charters. Yet, we must recognise that the financial sector is unlikely to respond well to mere populism.

It does not help when those who run financial institutions appear to accede to demands placed on them, only to seek to transfer all of the risks to the fiscus thereafter. The magnitude of the change we seek to effect demands of all of us the highest quality of leadership.

When the pace of change is such as we found ourselves in currently, it is perhaps wise that we pause and assess, as we will do over the course of today and tomorrow, the extent to which we have systematically considered all the potential impacts of our empowerment strategies. To what extent have all stakeholders been sufficiently consulted? To what extent have we achieved consistency of treatment across sectors? What is the potential impact of empowerment financing mechanisms and scoring allocations on overall financial and economic stability?

Lastly, we must carry forward the key message of the Financial Sector Summit and the Financial Sector Charter: that the focus of broad-based empowerment and transformation should be on tangibly improving the lives of the poor and marginalised.

Lack of access to appropriate savings or transactional products, coupled with poor financial literacy, consumer education and consumer protection, compounds the divide between the haves and the have-nots.

Again, this is a collective challenge.

The experience of the Financial Sector Charter has already demonstrated the power of partnership amongst constituencies to arrive at accessible, affordable and appropriate solutions to the financial needs of low-income individuals.

The phenomenal success of the Mzansi bank account has effectively silenced those sceptics that doubted the feasibility of such initiatives. Now we call upon the banking institutions to share and assist the other industries in the sector to likewise come forward with workable solutions. Likewise, we must make collective progress in the areas of investment into housing and small business in a way that avoids the excessive shifting of risk from the private to the public sector.

We must also bring about changes designed to address past inequities and protect the most vulnerable consumers of financial services. In some areas, this has resulted in reform of legislation, such as the National Credit Bill and the planned changes to Retirement Fund regulation. But it is also morally and economically imperative for the sector itself to come forward with a proactive response to the problems of competition, disclosure and consumer protection identified in the banking and insurance sectors.

Together, we need to strive towards a more sustainable, inclusive and equitable future. There is no inherent conflict or contradiction in ensuring a South African financial sector that remains both world-class and inclusive of all our people. The long run sustainability and competitiveness of the South African financial sector is intricately intertwined with its ability to broaden its reach to all sectors of the South African economy.

Thank you.