



Implementation of Sector Strategy

CBDA Board
Comparison Between a Co-operative Banking Institution and Mutual Bank
CFIs/Co-op Bank Legislation Update
CBI Awards 2021

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Editorial

Eighteen months and three extensions later, after my initial secondment to the CBDA through the generous support of the Prudential Authority (PA), I am presenting the third, and last editorial to the Connection Newsletter. My secondment term ends at the end of September 2021 and will not be further extended.

We are excited to present to our stakeholders our newly appointed Chairperson Luyanda Ntuane and Deputy chairperson Paul Rossouw. Mr Ishtiaq Amien has been newly appointed to the board. The terms of Dr Ngwenya and Ms N Shwala were further extended for a second term. We look forward to your leadership going forward.

Adapting to Covid and the providing of ongoing services to our stakeholders under a new normal has been our primary focus. While some CBIs might be missing the personal contact, the CBDA has been encouraged at its ability to provide continuous direct technical assistance to existing and start-ups in a far more cost-effective manner reaching far more CFIs and CBs at a time virtually. We have also been encouraged by the large number of persons who have attended our National Credit Regulator workshop, Risk Management and Supervisory/Audit committee training virtually this financial year. Had we tried to do this the traditional manner of direct training, far less training could have been achieved. All



Mr David de Jong

workshops have had more than 50 members in attendance and over 75% of CBIs in attendance.

The highlight toward the end of the last financial year was the Indaba held in March 2021. With the Strategic options as well as the member surveys presented and debated, subcommittees met to debate the recommendations from the breakaway session. The Strategy (longer term objectives), How to Organise Ourselves (medium term) and CFI needs (immediate) subcommittees formulated recommendations and meet every other Friday to consolidate their suggestions and ideas. A final draft has now been prepared with the assistance of our World Bank Group Colleagues and will be presented to the entire sector so they can begin to organise itself to IMPLEMENT THE STRATEGY. The CBDA will use the strategy document as a guideline to set up its programs to support this vision.

The CBDA is also currently engaged in some exciting new relationships and initiatives. A pilot is being run with the ASISA and the Ndlovoki and SADTU CFIs to train their members in financial literacy. Hopefully we will be rolling this program out to all CFIs who are interested and meet the requirements. The CBDA is also working on promoting the International CFI day on the 21st of October 2021 through holding an online Fair, exposing the sector to multi stakeholders working in our space.

As I alluded to above, the CBDA was advised to a Cabinet Statement on the 5th of August as a resolution to merge the CBDA and Small Enterprise Funding Agency (SEFA) into the Small Enterprise Development Agency (SEDA) by the 31st of March 2022. At the time of writing, we have very little information to advise the sector as to the implication of this on our programs, however the CBDA will endeavour to keep you informed as and when more information is available. The full Cabinet statement is published in this newsletter.

July and August also saw a deluge of draft standards for CFIs and Co-operative Banks. Both the PA (3) and Financial Sector Conduct Authority (FSCA) (1) have published proposed standards for consultation to the sector. Noting the additional regulatory burden this could bring to the sector, one would have preferred the sector was more organised in its responses to the proposals.

Finally, the CBDA would like to welcome and bid farewell to some staff members. Kobus van Niekerk, who directed the CSS project and spent the past year as our Board secretary will be leaving after being with us for the past 6 years and many thanks for your contribution in building the sector. Joining the CBDA team in July 2021 is Catherine Whitley as Business Support Manager and Matimba Ndobe as Finance Clerk. May your career aspirations flourish in the Agency.

CBDA Board

By Catherine Whitley



Luyanda Ntuane

[BCom, PGDipMan (IS), AdvDip (PM), CISM®, CGEIT®, CRISC™, M.Inst.D]

Luyanda began his IT career in the 90s, and over the past decade, has served in executive management positions spanning various industries including, financial services, SOEs, technology sector, and the automotive sector. He is currently the Chief Information Officer (CIO) of Motus Retail and Rental, a division of Motus which is a JSE listed automotive organisation.

Luyanda is a digital transformation advocate with specialist skills and knowledge in the areas of fintech, cybersecurity, governance, and risk management. His governance expertise were developed in the executive roles he has held in the past, and through serving on boards of diverse organisations that include; Europcar SA, Tempest Car Hire SA, Ubank (IT advisor to the Board), and the Co-operative Bank's Development Agency wherein he serves as Chairperson of the Board. He is a consummate strategist and career technologist who is also a conference speaker in various disciplines that are related to digital transformation; and serves as a member of the International Data Corporation's (IDC) CIO Advisory Panel.

Luyanda holds a Bachelor of Commerce (Business Information Systems and Economics) from the University of Natal (now UKZN), a Postgraduate Diploma in Management (Distributed Commercial Information Systems) from the University of Cape Town, and an Advanced Diploma in Project Management from Cranfield College. He holds several internationally recognised IT industry qualifications which notably include ISACAs'; Certified Information Security Manager (CISM®), Certified in Risk and Information Systems Control (CRISC™), and Certified in the Governance of Enterprise IT (CGEIT®).



Dr Nomfundo Xenia Ngwenya

Dr Nomfundo Xenia Ngwenya is a Chief Strategy Officer of Ntsele Global and Visiting Research Fellow at the Wits University School of Governance. Her governance experience includes services on boards and advisory bodies such as the African Development Bank's African Development Fund, the International Monetary Fund's Afritac-South Steering Committee, the Southern African Customs Union's Finance and Audit Committee, the Johannesburg Development Agency, the African Renaissance Fund, the Centre for the Study of the United States at the University of the Witwatersrand and the Kuseni Dlamini Foundation. She recently advised the African Union on the establishment of governance structures for the \$400 million Peace Fund. Dr Ngwenya holds a PhD in International Studies from the University of Cambridge, a MSc in Politics of the World Economy from the London School of Economics, a MA and BA (Hons) in International Studies from Stellenbosch University and a BA from the University of Port Elizabeth (now Nelson Mandela University).

Comparison between a Co-operative Banking Institution and Mutual Bank

By Tebogo Tshabalala

In the past year, there has been a spotlight on Mutual banks. One question we are always asked is what is the difference between a Co-operative Banking Institution¹ (CBI) and Mutual Bank. This article envisages highlighting key similarities and differences between these two types of institutions.

A CBI and Mutual Bank are similar in that they are established to promote financial products and ownership, with benefits directed to the member/owners. In a typical Mutual Bank, depositors become shareholders. In essence, a depositor becomes an owner and is entitled to vote at a shareholder meeting and receive dividends.

In a CBI, a member must acquire a minimum share to access the products and services offered. They only trade with members, CBI members also qualify for dividends or patronage refunds as owners and have voting rights in annual general meetings, with a "one member one vote" all having equal voting rights. In a Mutual bank though, the owners with more shares get more say. In both institutions, dividends are paid from

available profits/surplus.

Another key difference between Mutuals and Co-operatives is that the latter subscribed to the International Co-operative Alliance (ICA) principles on co-operatives as is also prescribed in the Co-operatives Act. Mutuals on the other hand are not bound by these principles. Hence, they can be capitalised differently and trade with non-members.

The Prudential Authority regulates these institutions. They both have their own set of prudential requirements and must also meet the requirements of the Financial Sector Regulation Act 9 of 2017. CBIs and Mutual banks tend to have a more limited offering of products and services, with proportionally based level of regulation. As some Mutuals in SA are not established as member owned, nor not-for-profit entities with the purpose of servicing members, debate surrounds the true mutuality of most of South Africa's mutual banks.

The table below depicts the key differences between a CBI and a Mutual Bank.

Table 1: Key differences between a CBI and Mutual Bank

	Co-operative Banking Institution	Mutual Bank
Primary Legislation	Co-operative Banks Act no 40 of 2007, as amended	Mutual Banks Act of no 124 of 1993, as amended
Founding Document	Constitution	Articles of Association
Common Bond²	Required	Not required
Minimum Share Capital	R100 000 (plus min R5 million in deposits for a Co-operative Bank)	Minimum of R10 million
Number of members to register	Minimum 200	Minimum 7
Provides services to	Members-only (both natural and juristic persons)	Members and clients (both natural and juristic persons)

¹ Co-operative Banking Institution is a term that covers both Co-operative Banks and Co-operative Financial Institutions also referred to as SACCOs, FSCs, Financial Co-operatives and Credit Unions.

² Refer to page 12–13 of the CFI Start-up guide on the CBDA webpage for a full definition of common bond <http://www.treasury.gov.za/coopbank/CFI%20start%20up%20guide.pdf>

CFIs/Co-op Bank Legislation Update

By Poppy Thubana



The sector is urged to take note of the following legislative changes affecting the operations of CFIs/Co-op Banks:

Draft Prudential Standards for CFIs/Co-op Banks by Prudential Authority (PA)

The Prudential Authority published draft prudential standards for CFIs and cooperative banks for consultation with the sector on 9 July 2021. The proposed prudential standards address requirements for registration and operations, governance, risk management, internal controls, and compliance. Comment was required by 2nd of August 2021, which included an impact assessment of the standards the institutions operations. The draft standards and comment templates are available on the PA website, which can be accessed at <https://www.resbank.co.za/en/home/what-we-do/Prudentialregulation>.

Conduct Standards for Co-operative Financial Institutions by Financial Sector Conduct Authority (FSCA)

The FSCA published the draft conduct standards on 11 August 2021, for public consultation. The main purpose of the Conduct Standard is to introduce requirements that promote the fair treatment of CFI's members. This is the first Conduct Standard that applies to CFIs specifically. The draft Conduct Standard, as well as a statement in support of the draft Conduct Standard, are available on the FSCA's website at <https://www.fsca.co.za>. To submit, use the submission template, and send to FSCA.RFDStandards@fsca.co.za. on or before 24 September 2021.

Protection of personal Information Act (POPIA)

The purpose of the Personal Information Protection Act (POPIA) is to protect people from harm by safeguarding their personal information, to prevent their money from being stolen, their identity from being stolen, and to protect their privacy, which is a fundamental human right. The POPIA commenced on 1st of July 2020 and organisations were given a grace period of a year to comply up until 1st of July 2021. All organisations need to be complaint regardless of the nature and complexity of their business. There are currently no exemptions, so we urge CFIs/Co-opt Banks to arm themselves with practical knowledge on POPIA by reading the ACT and ensuring compliance.

Finally, CBDA is available for any questions regarding the above-mentioned legislative changes; CFIs can contact us by emailing at cbda@treasury.gov.za



Sector development strategy for Co-operative Banking Institutions in SA

By David de Jong

The highlight toward the end of the last financial year was the Indaba held in March 2021. At the end of the Indaba, after the options paper and member surveys were presented, and volunteers agreed to take forward the recommendations from

the breakaway sessions. These groups met every other Friday and with the support of the World Bank Group consultant, David Grace, resulted in a final draft of a Sector development strategy for SA.

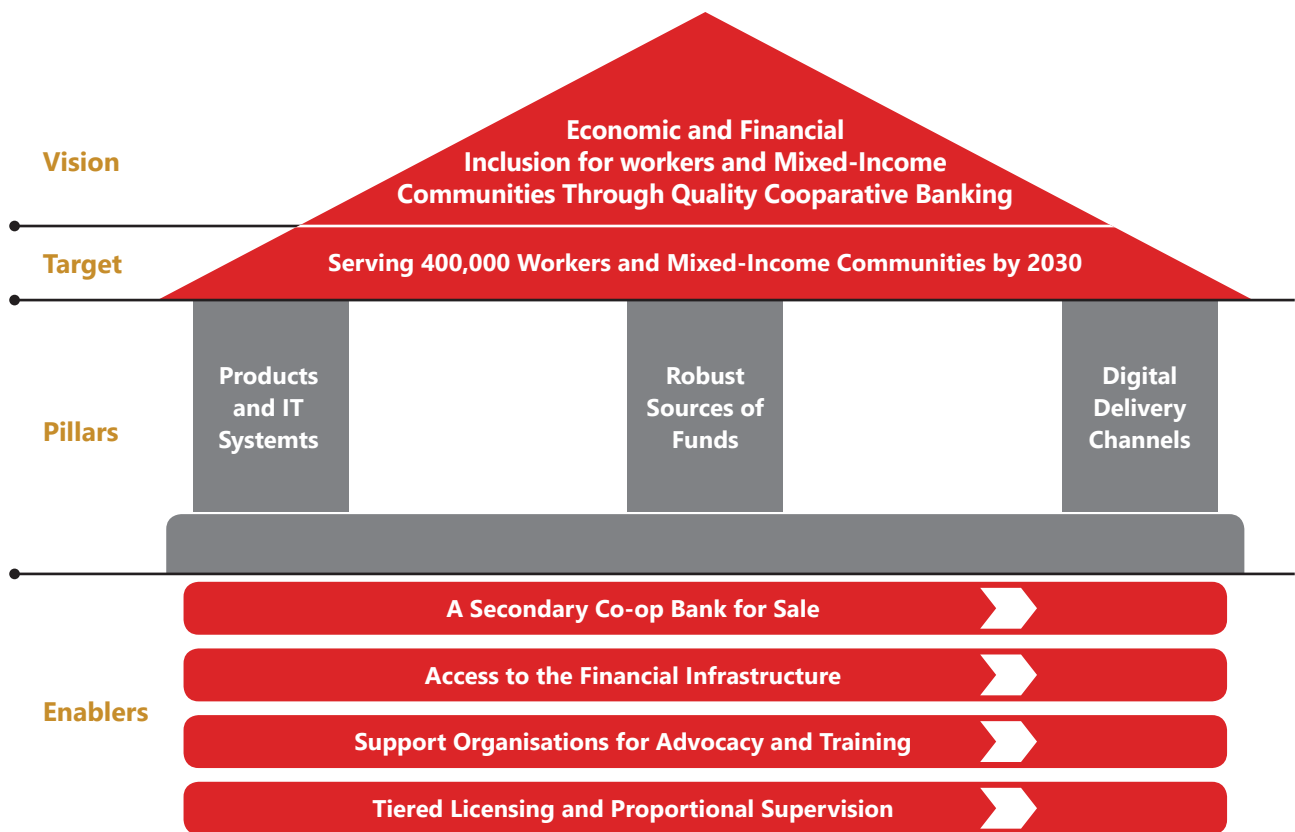


Figure 1: Overview of Sector Development Strategy

Co-operative banks Structural Characteristic to Achieve the Vision

Component	Element	Description
Vision	<i>Economic and Financial Inclusion for Workers and mixed-income Communities Through Quality Cooperative Banking</i>	Niche approach toward inclusion for workers and mixed-income communities and active promotion of co-operative banking, rather than stepping stone to become commercial banks.
Target	Serving 400,000 workers and mixed-income communities by 2030	A target based on members (i.e., greater inclusion of people) served, not assets, savings or number of CFIs/CBs. Achieving this will require products, systems, funds and channels.
Pillars	Value Added Products and IT Systems	The core savings and loans need to become more attractive offering. Most CFI/CBs need to make more good loans and make savings more accessible so people feel comfortable placing larger balance with CFIs/CBs and knowing they can get to the money quickly if needed. IT systems are need to support these products.
	Robust Source of Funding	Key to mobilizing deposits from members is having deposit products that are attractive to a mix of income groups.
	Digital Delivery Channels	People want to be able to access their funds/information easily through smartphones, mobile money, ATMs, etc.
Enablers	A secondary coop bank for scale	To facilitate technology services, access to the financial infrastructure and intermediate funds among CFIs/CBs.
	Access to the financial infrastructure	To compete with banks CFIs/CBs need to have direct access to the financial infrastructure as opposed to paying competitors from access through them.
	Support organisations for advocacy and training	Committee identified the need for: 1) a strong representative body, 2) a Second-Tier Co-operative Bank (as discussed above), and 3) Support Organization(s) for training and to facilitate access to grant funding.
	Tiered licensing and proportional supervision	Lighter touch regulation and supervision for small entities would help the sector focus more on provision of service/ systems for members as opposed to compliance the regulator.

Incorporation of the Small Enterprise Finance Agency (SEFA) and Co-operative Banks Development Agency (CBDA) into the Small Enterprise Development Agency (SEDA)

1. Cabinet approved the incorporation of the SEFA and CBDA into the SEDA. The merger of these entities will enable an integrated government support to small, micro and medium enterprises as well as cooperatives with effect from 1st April 2022.
2. A proposed single agency will provide both financial and non-financial support to these businesses. By pooling all the resources together, the agency will be more impactful and accessible in all the districts and metros.
3. The approved incorporation will result in the reclassification of SEDA (which will be renamed later) in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) from a Schedule 3A to a Schedule 2 entity.
4. Cabinet approved the extension of the Board of SEFA to the 31st March 2022 to enable the alignment to the commencement of the transitional arrangement.

CBI Awards 2021

By Raesibe Mphahlele



The Co-operative Banking Institutions awards took place at the virtual Indaba hosted by the CBDA, under the theme: “Strategizing for the future of Financial Co-operatives”. The Indaba took place from Thursday, 18 March 2021 until Friday, 19 March 2021 and was preceded by three-days of well-attended workshops and training sessions offered by renowned speakers and sector participants.

The two-day Indaba ended off with the award ceremony hosted by the Acting Managing Director of the CBDA, Mr. David de Jong with the winners announced by Ms. Lebogang Tshabalala, Divisional Head-Banking Supervision at the Banking and Insurance Supervision Department of the Prudential Authority. The awards recognised co-operative banks and co-operative financial institutions in three different categories for exceptional performance, having adequate oversight by the Board of Directors and Management, being compliant with regulatory requirements, having a lower risk rating as well as showing growth in membership, savings, and assets.

In the category of THE BEST PERFORMING CO-OPERATIVE BANK, the winner is **OSK Koöperatiewe Bank Beperk**. THE BEST PERFORMING ESTABLISHED CO-OPERATIVE FINANCIAL INSTITUTION award went to **GIG Financial Services Primary Co-operative Limited**. THE BEST NEWLY REGISTERED CO-OPERATIVE FINANCIAL INSTITUTION award was taken by **Ndlovukazi YaKwaZulu Women Financial Services Co-operative Limited**. The winners in each category were awarded funds redeemable as CFI Retails Savings Bonds.

The awards provided an opportunity to showcase excellence within the co-operative banking sector and the winners have been exemplary in their performance. Commendable!



Capacity Building Unit Approved Training Calendar for 2021/22

By N Sauli: Director CBU

Training Programme	Location	Target Audience	Maximum Number of Delegates per Session	May	August	September	October	November	February
Governance training	2 Onsite	Board of directors Manager	25 Virtual – no max; Onsite 15 min – 20 max	28–30 KZN			7–8 EC Should Covid-19 numbers persist the session will be converted virtually		
Financial Management	1 Virtual; 1 Onsite	Governance committee members Manager and staff Investment committee Supervisor/ Audit committee	25 Virtual – no max; Onsite 15 min – 20 max			10–12 NW Should Covid-19 numbers persist the session will be converted virtually		18–19 Virtual	
Credit Committee training	1 Virtual; 1 Onsite	Credit committee members Manager Loan officer	25 Virtual – no max; Onsite 15 min - 20 max			24–26 GP Should Covid-19 numbers persist the session will be converted virtually			24–25 Virtual
Supervisory/ Audit Committee training	1 Virtual; 1 Onsite	Supervisory/ Audit committee members	25 Virtual – no max; Onsite 15 min - 20 max		26–27 Virtual				4–6 KZN Should Covid-19 numbers persist the session will be converted virtually
Member education (train the trainer)	Virtual	Education committee Marketing committee Stakeholders	min 25 – no max			28–29 Virtual			
Risk Management	Virtual	Board of Directors Supervisory Committee	min 25 - no max		19–20 Virtual				

CBIs Registered with PA

From September 2020 – August 2021

Name of CFI/CB	Common Bond	Location	Contact Details
Western Cape			
SA Primary Medical Financial Co-operative Limited	<p>Each member must provide proof of membership to one of the specified professional medical bodies/ organisations prior to being allowed as a member:</p> <ul style="list-style-type: none"> a) Health Professionals Council of South Africa; b) The South African Nursing Council; c) Pharmaceutical Society of South Africa; d) South African Medical, Homoeopathic, Physiotherapy and Psychiatrists Associations; e) Board of Healthcare Funders and the Council for Medical Schemes; f) South African Institute for Healthcare Managers; g) Hospital, Day Hospital and Renal Care Associations of South Africa; h) South African Veterinary Association; i) South African Medical Association; j) Any further groups approved by the Supervisor; k) The Public Health Association of South Africa; l) The South African Medical Device Industry Association; and m) The Professional Provident Society of South Africa. 	Luna Arco Offices 201 Clock Tower Building Waterfront Cape Town 8001	Lydia Hagedoorn lydia@medi.coop www.medi.coop 087 0571 427 076 5626 191



Name of CFI/CB	Common Bond	Location	Contact Details
KwaZulu-Natal			
Mzansi Rural Arts and Craft Financial Services Co-operative Limited	The common bond of MRAC is defined as: "art and craft cooperatives (that are members of the provincial secondary art and craft cooperatives) including individual members within those co-operatives, assuming an associational bond of membership"	188 Hoosen Haffejee Pietermaritzburg 3200	Ms Akhona Nonjaca akhononjaca@gmail.com 083 218 9174
Gauteng			
Isikhungo Sabantu Financial Services Primary Co-operative Limited	Members of the Isikhungo Sabantu Non Profit Company, their families and affiliated Non- Government Organizations (Early Childhood Development Movement) and Community Based Organisations (Congress of South African of Non-racial Communities' Movement)	3 rd Albertina Sisulu Road Johannesburg 2000	Nathaniel Bricknell info@isikhungosabantu.org.za 081 548 5665 010 001 3890
National Stokvel Association of South Africa Financial Primary Co-operative Limited	Stokvel groups and individual Stokvel members in good standing with Stokvel groups that have a valid NASASA membership	84 Albertina Sisulu Street Johannesburg 2000	Mizi Mtshali mizi@nasasa.co.za 082 507 8699
The People's Stokvel Financial Co-operative	Associational common bond, all members of the PSFC will have to be members of the PCC before they can be considered for any product to be offered by the PSFC	138 West Street Sandton 2054	Palesa Lengolo palesa@palengoholdings.co.za Luyanda Jafta luyanda@thepeople.co.za

CO-OPERATIVE BANKS DEVELOPMENT AGENCY

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