



CO-OPERATIVE BANKS DEVELOPMENT AGENCY

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Briefing Note 1 of 2020: Notice to the sector on impact of the Corona Virus (COVID-19)

In light of the declaration by the President of a national disaster due to the Coronavirus pandemic (COVID-19), financial co-operatives (Co-operative Banks and Co-operative Financial Institutions) should be assessing the potential impact of COVID-19 on their communities and the manner in which it would affect their operations and the ability to service members. This briefing also states how the CBDA will operate during this time.

1. Impact of the virus as per the President Ramaphosa statement 15/03/2020

During times of crisis, it is crucial to remember the reasons for the establishment of financial co-operatives and the role these important institutions play in communities. Financial co-operatives have a significant responsibility to help members meet their financial needs during these difficult and uncertain times. The President stated that all South Africans need to contribute to their safety and well-being and financial co-operatives should be at the forefront of their communities ensuring that their members get the required support.

2. Co-operative values

The Co-operatives **values** of self-help, self-responsibility, democracy, equality, equity, solidarity, social responsibility and caring for others as well as the **principles** of education, training and information, co-operation amongst co-operatives and concern for the community should guide our response during this time.

3. Risk management considerations

In order to assist financial co-operatives to assess the impact of COVID-19 and take steps to mitigate risks, the following areas should be considered:

A) Operational risk

- a. How is your institution going to deal with its AGM considering it may require more than 100 people to constitute a quorum? In quarantined areas, even bringing 100 people together would not be recommended. Have you investigated conducting management, board and membership meetings via electronic means or video conference?

- b. Safety of employees and members: Money is unclean by nature and your members and staff need to be protected when physically dealing with money as well as interacting with members. How is your financial co-operative ensuring members and staff safety? Is hand sanitiser available? How full do you allow your banking hall to be?
 - c. Are your opening and closing times still appropriate? Some retailers are making special provision for the elderly (most vulnerable persons) to transact during special hours.
 - d. If key persons in the financial co-operative needed to work from home, what contingency plans are in place to effectively service members?
- B) Credit Risk: To what extent are you able to absorb additional impairments due to non-repayment?
- C) Liquidity risk: If members are retrenched, or your small business owners fall on hard times and want to withdraw their savings, is your financial co-operative able to meet the additional withdrawal demand? There could also be an increase in loans requests, which means that additional funds might be required to address this need. Does your institution have a contingency liquidity plan in place to deal with such surges in requests?
- D) Market risk: The markets in general have plunged during the past few weeks, internationally and locally. Has your financial co-operative reviewed its investments and the possible impact this could have on your income and operations?
- E) Regulatory risk: Based on the call for social distancing, impact of COVID-19 on the economy, loss of jobs, and other related scenarios, will your financial co-operative still be able to meet its regulatory requirements. If not, are you in discussions with the Prudential Authority to see if they can provide regulatory relief for a temporary timeframe.

4. CBDA response

The CBDA, having considered the declaration of a National State of Disaster have taken a decision to recall CBDA staff once their current assignments are completed and to postpone provincial training sessions. Unfortunately, this decision will impact on a number of scheduled provincial training sessions. The CBDA remains committed to providing support to Co-operative Banks and CFIs as we work our way through this challenging period.

While the CBDA may not have physical presence at financial co-operatives we are engaging with the National Treasury on the possibility of telephone and/or video conferencing support and training sessions which will address questions and possibly some of the training needs of financial co-operatives. Financial co-operatives are encouraged to investigate their ability to host such facilities should the CBDA be able to provide these options.

The CBDA appeals to financial co-operatives to contact us should they require any assistance with regards to managing the impact of COVID-19 on financial co-operatives. Research is ongoing

to as to the manner in which financial services co-operatives, credit unions, SACCOs, co-operative banks and other entities in the financial co-operative family worldwide are assisting affected members.

Should the CBDA become aware of innovative ways the sector is responding to COVID-19, we will endeavour to share these with you as a reference point. Please share your ideas with us by calling 012-3955932 or email cbda@treasury.gov.za

5. Access to information

There are a number of useful resources listed below should you require more information to advise your members or staff.

The National Institute for Communicable diseases

<http://www.nicd.ac.za/diseases-a-z-index/covid-19/covid-19-resources/>

Department of Health South Africa

<http://www.health.gov.za/index.php/outbreaks/145-corona-virus-outbreak/465-corona-virus-outbreak>

