

**NATIONAL ASSEMBLY**  
**QUESTION FOR ORAL REPLY**  
**QUESTION NUMBER: 194 [NO1674E]**  
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**★194. Mr D D D van Rooyen (ANC) to ask the Minister of Finance:**

Whether, with reference to the recent and highly welcomed intervention in the African Bank Investments Limited (ABIL) saga and averting what would have been a major blow to our economic prospects, consumer as well as investor protection, he can indicate the measures he has taken to curb any potential spiralling or contagion effect of the ABIL saga?

NO1674E

**REPLY:**

Yes, Government and the South African Reserve Bank (SARB) always act to maintain and preserve financial stability, and that is the main reason why the African Bank was placed into curatorship. The curatorship is designed to curb any potential spiraling or contagion effect from the problems experienced by African Bank. The actions that were taken are in line with some of the key lessons which emerged after the 2008 Global Financial Crisis, particularly those related to how best to prevent a banking failure to cause a systemic and financial stability crisis.

Whilst government is responsible for overall policy with regard to financial stability and regulating the financial sector, it is the SARB that has the mandate to oversee and maintain financial stability on a day-to-day basis. This mandate was noted explicitly in a letter dated 16 February 2010<sup>1</sup> from the former Minister of Finance to the Governor of the SARB. This means that the Reserve Bank is the lead authority responsible for ensuring financial stability on a day-to-day basis, including preventing any possible 'contagion' or 'spillover' of risks into the broader economy and to other financial firms.

It is projected that the recently initiated curatorship will have a successful outcome. Parliament will be kept informed of progress. The focus of the curatorship will be on ensuring an outcome that minimizes both the potential fiscal and broader economic costs.

The measures accompanying the curatorship can be categorised into two groups:

- The first group of measures involves the segregation of the viable parts ("Good Bank") of African Bank from the non-viable parts ("Bad Bank"). This approach is in line with best international practices, as noted in the Basel-based Financial Stability Board's "Key Attributes for Effective Resolution Regimes".
- The second group of measures taken relate to the strengthening of the current financial regulatory framework, through the shift to a tighter and more intrusive form of regulating in the form of the Twin Peaks system, and to facilitate better coordination between financial regulators so that they can act decisively and speedily when necessary.

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<sup>1</sup> [http://www.treasury.gov.za/comm\\_media/press/2010/2010021701.pdf](http://www.treasury.gov.za/comm_media/press/2010/2010021701.pdf)