



South African Reserve Bank

Supporting Transformation through Cooperative Banks

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Banking Legislation

Banks Act
Act No. 94 of 1990

- **Banks**
- **Branches of Foreign Banks**
- **Rep Offices of Foreign Banks**

Mutual Banks Act
Act No.124 of
1993

- **Mutual Banks**

Cooperative
Banks Act
Act No. 40 of 2007

- **Cooperative Banks**

Exemption Notice
Notice No. 620 of
15 August 2014

- **Cooperative Financial
Institutions**

Registered by
the
South African
Reserve Bank

Registered by
the Cooperative
Banks
Development
Agency



Scope of Cooperative Banks

Cooperative Bank means

a cooperative* registered as a cooperative bank whose members have a common bond#—

- (a) are of **similar** occupation or profession or who are employed by a common employer or who are employed within the same business district; or
- (b) have **common membership** in an association or organisation, including a business, religious, social, cooperative, labour or educational group; or
- (c) **reside** within the same defined community or geographical area;

#Common Bonds are defined in an Exemption from the Banks Act

*Cooperatives are defined in terms of the Cooperatives Act



Role of Authorities

SARB Bank Supervision – Division of Cooperative Banks

- Mandated by the Cooperatives Banks Act (no. 40 of 2007)
- Registers and regularly assesses Cooperative Banks
- Supervises registered Cooperative Banks - subject to rigorous and uncompromising prudential standards
- Ensures protection of depositors' savings and members interests.
- Ensures autonomous sustainability, servicing communities, economic inclusivity and economic growth.
- Ensures National Treasury and SA taxpayer free from rescue expectations.



Role of Authorities

National Treasury – Cooperative Banks Development Agency

- Mandated by the Cooperatives Banks Act (no. 40 of 2007)
- Registers Cooperative Financial Institutions (CFI), under the Cooperatives Act and Exemption Notice from the Banks Act
- Dual mandate
 - Development of CFIs, hopefully in preparation to become a CB
 - Supervision of CFIs



Cooperative Banks - Status Quo

- **Operations of Cooperative Banks include**
 - Accepting savings and deposits from members
 - paying back on demand,
 - paying competitive interest
 - Lending to members
 - Usually relatively short-term, but not limited by tenor
 - Charging competitive NCA-controlled interest
 - Collecting payments and principles; and
 - Recovering unpaid amounts
 - Investment of monies not loaned
 - Accurate financial administration, audited
 - Regular meetings of members

- **Two registered Cooperative Banks from 2011**
 - Ditsobotla Savings and Cooperatives Bank (Lichtenburg)
 - OSK Cooperative Bank Ltd (Oranje)

- Both are profitable, viable and sustainable as statistics show, with sustained growth, despite adverse current economic circumstances in communities.



Cooperative Bank Performance: 2011-2017

Performance indicator	Regulatory requirement	31 March 2011	30 June 2017	Change (%)
Membership	>200	1,271	2,403	89%
Total assets (R'm)	n/a	R 52.16m	R 145.50m	179%
Loans (R'm)	n/a	R 33.89m	R 95.59m	182%
Total liabilities (R'm)	n/a	R 49.25m	R 127.72m	159%
Savings (R'm)	>R1.0m	R 48.76m	R 126.65m	160%
Equity (R'000)	n/a	R 2.83m	R 17.78m	528%
Profit (loss) before tax (R'000)	n/a	R 0.098m	R 1.15m	1082%
Capital adequacy ratio	>6%	2.8%	10.9%	
Total loans/total assets	≤80%	65.0%	65.7%	
External borrowing/total assets	≤15%	0%	0%	0



Challenges converting CFIs to Cooperative Banks

- There are 27 CFIs under CBDA supervision
 - Many passed target size for registering as a Cooperative Bank
 - Insolvencies and on-going loss in registered CFIs
- Issues encountered during the assessment of CFI applicants for cooperative bank licenses include
 - lack of financial, human and operational capacity
 - ineffective accounting and management information systems
 - CFIs calculate their profits manually
 - accrual system is often overlooked
 - overstated financial figures exaggerating the financial position
 - Governance deficiencies, including skill shortages



Questions

