

Protecting depositors

CODI was established as a legal entity on 24 March 2023 and became operational on 1 April 2024. CODI will manage the country's Deposit Insurance Fund (DIF) which will give qualifying bank depositors access to up to R100 000 of their covered qualifying account balances should their banking institution fail, be liquidated and placed into resolution.

South Africa introduced the 'Twin Peaks' model in 2011 in response to the 2008–09 Global Financial Crisis and to reform the regulatory and supervisory system for financial institutions and market infrastructures. The FSR Act mandates the SARB to maintain and enhance financial stability. CODI was established as part of the financial sector safety net, designed to protect vulnerable bank depositors by ensuring that they will have timeous access to their savings should a bank fail.

CODI, a wholly owned subsidiary of the SARB, is mandated to manage the DIF and to raise awareness on the benefits and limitations of depositor protection.

The FSR Act contains high-level provisions for the establishment, functions and governance of CODI. Secondary legislation, namely ministerial regulations and a prudential standard, contains detailed provisions explaining procedural and administrative matters relating to the operations of CODI and the DIF.

Primary legislation also includes the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022 that provides for the collection and administration of levies, as well as the Financial Sector and Deposit Insurance Levies Act No 11 of 2022 that provides for, among other things, the imposition of a deposit insurance levy.

CODI has started to collect premiums and fund liquidity contributions from April 2024. The levies are based on 0.015% of a bank's covered deposits, the premiums on 0.2% of a bank's covered deposits and the liquidity contributions on 3% of a bank's covered deposits.

Membership to CODI is compulsory for all banks registered in terms of the Banks Act 94 of 1990 (Banks Act), Mutual Banks Act 124 of 1993 (Mutual Banks Act) and the Co-operative Banks Act 40 of 2007 (CBA). It also includes banks operating within the borders of South Africa that are regulated and supervised by the PA.



CODI becomes operational

CODI established governance structures to operate as a Deposit Insurance Scheme (DIS). The two structures, established on 24 March 2023, are the CODI Board of Directors (CODI Board) and the CODI Investment Committee. The CODI Board approved the CODI strategy that included plans for CODI to become fully operational on 1 April 2024. The strategy included finalising a target operating model, developing an IT reporting solution, providing training to banks and drafting liquidity contracts, guarantee agreements and emergency financing-undertaking agreements. CODI also joined the International Association of Deposit Insurers (IADI) as a full member, and together with the PA and National Treasury, tabled the secondary legislation (the standard and regulation). An awareness campaign was developed in collaboration with member banks and rolled out from April 2024.

Risk and Audit

CODI has, with the SARB's RMCD, completed a strategic risk assessment to identify inherent and residual risks. Risk mitigation plans have been established and approved by the CODI Board.

The SARB's IAD has performed quarterly and annual State of Control Audits. The outcome was that CODI has adequate management controls in place.

Governance

The CODI Board consisted of the following members:

- **DG Kuben Naidoo** (Chairperson until 30 November 2023), DG Rashad Cassim (Chairperson from 1 December 2023)
- **DG Nomfundo Tshazibana** (CEO of the PA)
- **Unathi Kamlana** (Commissioner of the FSCA)
- **Reshoketswe Ralebepa** (Group CFO of the SARB)
- **Bongi Kunene** (Managing Director of the Banking Association South Africa (BASA) and Independent Director of CODI)
- **Hendrik Nel** (interim CEO of CODI until 31 December 2023), Sabihah Mohamed (CEO of CODI from 1 January 2024)
- **Andre Bezuidenhout** (Independent Director)
- **Vukile Davidson** (National Treasury)

The Investment Committee is responsible for reviewing the investment portfolio of the DIF in accordance with a Board-approved policy; and for making recommendations to the CODI Board regarding the investment of the DIF. The committee consisted of the following members:

- **DG Nomfundo Tshazibana** (Chairperson of the Investment Committee)
- **Hendrik Nel** (interim CEO of CODI until 31 December 2023), Sabihah Mohamed (CEO of CODI from 1 January 2024)
- **Andre Bezuidenhout** (Independent Director)
- **Mmakgoshi Lekhethe** (National Treasury until October 2023)
- **Vukile Davidson** (National Treasury)
- **Pregasen Moodley** (CODI Operations Manager)
- **Sabihah Mohamed** (CODI Policy Manager until 31 December 2023)



Looking ahead

CODI will focus on, among other plans, the rollout of phase 2 of its I&T infrastructure, developing resolution support processes and promoting deposit insurance awareness. Phase 1 of CODI's IT solution included collecting aggregate deposit data from banks as well as a financial module to calculate banks' premiums, levies and fund liquidity contributions, generate invoices and support other financial transactions. Phase 2 will be rolled out and will focus on receiving and processing single customer view (SCV) calculations and on investment management. CODI will continue to provide a reporting solution to co-operative banks. An internal framework to provide resolution support in line with the resolution strategy of the SARB as the Resolution Authority, will be determined for each bank. A communication and awareness strategy, approved by the CODI Board, kicked off in April 2024 and includes an extensive press awareness campaign, as well as guidance and training on deposit insurance to enable banks to meet their public awareness obligations.