



# Stakeholder Engagement Report 2019/20



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# ABOUT US

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## HISTORY

The World Economic Forum, Global Competitiveness Report, has previously rated the South African financial sector amongst the top ten in the world and as a sector, is by far the most significant contributor to the countries overall ranking. Within the financial sector, both the Johannesburg Stock Exchange and the banking industry were consistently ranked in the top three and top six in the world, respectively.

South Africa provides a financial centre for the African continent and in the State of the Nation Address on the 11th February 2016, the president announced that The Banking Association South Africa would establish a centre of excellence for financial services and leadership training in support of this national objective.

The board of The Banking Association South Africa approved the establishment of a centre of excellence in financial services at their annual general meeting, and a non-profit organisation was registered on the 23rd of December 2016.

## OUR VISION

Our vision is to bring together thought leaders, both local and international, to interrogate the role financial services can play in achieving national and international objectives, in collaboration with industry experts and academics.

## OUR MISSION

Our mission is to identify friction points in the financial services sector and initiate appropriate research to engage policy makers, regulators, and industry participants by initiating broader public dialogue through credible thought leadership



## EXECUTIVE DIRECTOR'S REVIEW

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During the past year, the governance of COEFS remained an important focal point with the appointment of a new chairman, Mr. Bert Chanetsa for a term of three-years, and the finalisation of the board charter.

We welcomed new board members Ms. Karabo Morule, the former Managing Director of Old Mutual Personal Finance and Ms. Bongi Kunene, the incoming Managing Director of The Banking Association South Africa to the board.

We also said goodbye to Mr. Leon Campher with his role at ASISA increasingly demanding more of his time to be committed to national initiatives to rebuild the economy.

A strategic session with the board in August 2019 reaffirmed the mission and vision of the organization and added context to the research agenda. We established two focus areas within COEFS, the Industry Directed Research Unit to facilitate greater co-operation between the industry and universities and the Digital Innovation Research Unit, in response to the direction given by the board to conduct research that was forward looking or future oriented whilst embracing thought leadership.

The impact of the Covid-19 pandemic and the resultant lockdown had a significant impact on not only the work done at COEFS but the broader financial sector and the greater economy. Our condolences go out to the family members who have lost love ones due to Covid-19 and the many people that have been impacted by the economic hardships of this time. We also wish to express our thanks to the government departments, medical staff and volunteers that have responded to this pandemic.

The COEFS board give of their time to support our research initiatives and with COVID-19 many of our board members were actively involved in the response to the economic impact of the lockdown. The value of our board members in providing support and guidance on research topics is greatly appreciated.

The generous support provided by The Banking Association South Africa remains a key success factor for COEFS, reducing not only the operating cost but also enabling necessary insights into emerging trends.

Mark Brits

Executive Director



## BOARD OF DIRECTORS

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Executive Director  
Mr. Mark Brits  
Senior General Manager at The  
Banking Association South Africa  
Prudential Regulation Division



Chairperson  
Mr. Bert Chanetsa  
Former Deputy Executive Officer of  
Financial Services Board



Director  
Mr. Euvin Naidoo  
Faculty member and lecturer at  
Harvard Business School



Director  
Mr. Cas Coovadia  
CEO of Business Unity South Africa



Director  
Mr. Lunkile Mondli  
Senior Lecturer at the School of  
Economics and Business Sciences of  
the University of the Witwatersrand



Director  
Mr. Sizwe Nxasana  
Founder and Chairman of Ikusasa  
Student Financial Aid Programme  
(ISFAP)



Director  
Dr. Reuel Khoza  
Chairman of Dzana Investments (Pty)  
Ltd, AKA Capital (Pty) Ltd



## NEW APPOINTMENTS

Ms. Karabo Morule former MD of personal finance at Old Mutual joined COEFS as a non-executive board member in 2019. Ms. Morule is the second woman in South Africa to qualify as an actuary and is fellow at the Actuarial Society of South Africa (ASSA). She recently was appointed as an independent non-executive director at Tyme Bank. Ms. Morule holds a Bachelor of Business Science degree which was awarded with first class honours, a postgraduate diploma in Actuarial Science (both from UCT) and completed the Advanced Management Programme from Harvard Business School.

Ms. Bongzi Kunene is the newly appointed MD of The Banking Association South Africa. She is now the newest member of non-executive directors at COEFS. Ms. Kunene was previously Standard Bank's personal and business banking group head for the public sector. She has also served in the Treasury, the Presidency and as a World Bank executive director representing South Africa. Ms. Kunene holds Master of Science degree in Development Economics.





## OUR APPROACH TO RESEARCH

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The COEFS board takes responsibility for setting the research agenda, ensuring that it resonates with our mission and vision. Drawing on the collective experience of our board members, it is our view that the research produced by COEFS should be future oriented and embrace thought leadership.

Emerging issues in financial services are ever present and provide ample opportunities to research. But research comes at a cost of either time and/or budget and the board is tasked with finding an appropriate balance between the relevance of the research to be undertaken, and the research approach. The board has indicated their willingness to promote the research and produce opinion pieces to shape an emerging dialogue.

The most valuable research produces innovation and new ideas, challenging conventional wisdom through well-structured arguments. COEFS begins each research project in-house by developing a working paper. On the merits of the content of the working paper, a more in-depth research report could be required that may entail external consultants.

COEFS research has been distributed through our website but also strategically, to ensure that selected individuals are provided an opportunity to access the research. Interest parties from as far afield as the India, Sri Lanka, Malaysia, the Philippines, the United States of America, Brazil, and the United Kingdom have downloaded our research. Translating one of our working papers from English to French and Portuguese substantially increased its readership.



## INDUSTRY DIRECTED RESEARCH UNIT

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The Industry Directed Research Unit (IDRU) was established to promote collaboration between the financial sector and South African universities. By providing real world industry problem statements to students, the skills needed to solve practical problems experienced within the financial sector, enables universities to focus on solutions-oriented research.

Harnessing the talents of our students in the mathematical, science and risk disciplines, benefits the sector and simultaneously nurtures much needed talent for future careers.

The commitment of large financial institutions to provide problem statements and work with students to a satisfactory resolution of these problems, is an important element of this programme. Historically disadvantaged universities are rapidly emerging as a new source of research capacity, and the Industry Directed Research Unit will ensure that all universities are included in our research agenda.

Focusing on data centric research, we aim to incentivise the data sciences and stimulate solutions to traditional mathematical models that hamper economic growth, enabling financial institutions to better understand and thereby manage risks in underserved markets.

The fourth industrial revolution has increased the speed and capacity of computers available to the financial sector and with it, introduced big data. As the industry grows, the need for data analysts, cyber security professionals and FinTech specialists has introduced a new spectrum of problem statements that challenge traditional boundaries. Renewed focus on payments and fraud, together with several internationally applicable legislative interventions, has broadened the landscape for problem statements providing new opportunities for research in mathematical sciences.

Funding from government will be used to reward both students and faculty members for published research under this initiative.

The Actuarial Society of South Africa (ASSA) has also expressed an interest in participating in the IDRU. With actuarial sciences being deployed in a data rich financial sector, and a commitment to promoting research in the actuarial sciences, there is a natural synergy between ASSA and the IDRU.



## DIGITAL INNOVATION RESEARCH UNIT

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The Digital Innovation Research Unit is being established to focus specifically on the impact of the fourth industrial revolution on the South African financial sector and the services that it provides.

Building on our earlier research “The impact of the 4<sup>th</sup> industrial revolution on the South African financial services market” this rapidly evolving topic will shape the products and services delivered to our people and the way in which we engage financial services providers.

The COEFS board has approved new research into the impact of artificial intelligence and automation on banking services. The objective is to understand how South African banks are utilising AI and automation.



## RESEARCH REPORTS

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### Measuring Concentration in banking

A draft research report titled “Measuring concentration in banking” identifies several challenges with using standardised mathematical models to interpret competition in a highly regulated banking industry. The research demonstrates relative weaknesses with the traditional Hirschman-Herfindahl Index with an analysis of several structural and non-structural approaches to measuring concentration.



## WORKING PAPERS

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### Global Competitiveness Report

The World Economic Forum (WEF) Global Competitiveness Report provides a useful ranking of the South African banking industry and broader financial sector, when compared to other countries.



Our research titled “Understanding the World Economic Forum Global Competitiveness Report” on the gradual decline of the banking sector as measured by the “Soundness of banks” from number 2 in 2016/17 to number 62 in 2017/18 was a catalyst for engagement with the WEF domestic partners, Business Leadership South Africa (BLSA) and Business Unity

South Africa (BUSA). South Africa was at the stage of being excluded from the Global Competitiveness Report.

Working with these two organisations, we identified the shortcomings and were able to propose corrective measures that resulted in the banking industry being ranked at number 29 in the 2018/19 report.

We also held discussions with the WEF on some of the shortcomings of their programme in relation to emerging markets, which have been modified. Both BLSA and BUSA have reprioritised this survey with the 2019/20 publication on track with South Africa being retained as a participant in the survey.

## SADC harmonization of legal documentation

Following our research titled “In pursuit of efficient markets for the SADC region”, the Eswatini Central Bank has embarked on a project to introduce both ISDA and ICMA standardised contracts into their legal framework.

## South African Bank Lending Practices Survey

Our publication, the South African Bank Lending Practices Survey (BLPS),

supported by the

heads of credit of the South African banks, provides an

opportunity to capture lending sentiment within the banking industry.

The data collected from the South African Reserve Bank BA 900 returns, has shown a high degree of correlation

between the BLPS forecast, and actual outcomes evidenced

by the data. We are planning to enrich the content with more granular data to enable further segmentation of generic descriptors such as secured credit, that includes motor vehicle finance as one component thereof. This should make the information more useful to specific industries.





## EVENTS

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### Economic Impact of COVID-19 Webinar

In August 2020, the Centre of Excellence hosted a webinar in partnership with the Institute of International Finance (IIF) discussing the economic impact of COVID-19 on emerging markets.

The first speaker, Ms. Elina Ribakava (IIF Deputy Chief Economist) gave an overview of the global economic situation in light of COVID-19 and market response as well as the impact on capital flows. The second guest speaker, Mr. Ugras Ulku (IIF Head of CEEMEA Research), discussed near-term macro outlook and challenges facing South Africa as well as policy responses to COVID-19 in major emerging market economies.

