



# Stakeholder Engagement Report 2020/21



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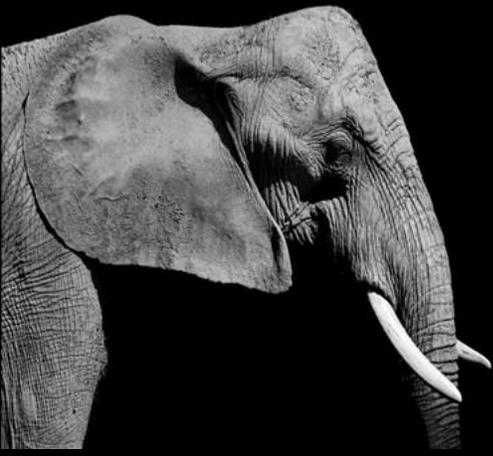




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# ABOUT US

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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 11 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 REVIEW

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The past year has been dominated by the impact of Covid-19 and as we gather for the 2021 AGM, we are in the middle of a third wave with a variant of the Covid-19 virus, that is more transmissible than ever before. Many lives have been lost and most families have been touched by the reality of the pandemic as family and friends became infected. Our condolences go out to those that have lost loved ones, and we hope that with the aggressive vaccination programme being rolled out for our country, we will achieve rapid population immunity.

In addition to this and more recently, we have suffered rioting and looting in KZN, and to a smaller scale in other areas, that has tugged at the political fabric of our country with devastating effects on some businesses within our society.

Reflecting on COEFS during this period, we took leave of Mr Leon Campher at our last AGM and welcomed Ms Bongki Kunene, the new managing director of BASA. The board remains a key success factor of COEFS and drives the research agenda.

We are very grateful to Professor Euvin Naidoo, our board member, for facilitating his banking masterclass – agility in financial services. It was well received by all, and for many participants being exposed to COEFS for the first time, this was a positive endorsement for our brand.

The South African Bank Lending Practices Survey remains a regular publication. The impact on bank lending was measured between two pivotal periods of the Covid-19 pandemic and has provided important insights.

The draft research report “*Measuring concentration in banking*” has been finalised and is due to be published. The report takes an in-depth look into the measurement of concentration and by default competition in the banking industry, suggesting that the Herfindahl-Hirschman Index, the simplest and most popular measure, provides no guidance to policy makers on the state of competition in the banking industry.

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. The value of our board members in providing support and guidance on research is greatly appreciated.



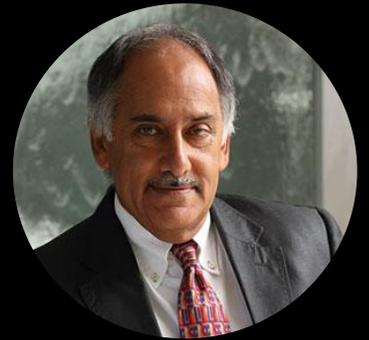
## BOARD OF DIRECTORS



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



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



Director  
Mr. Cas Coovadia  
CEO of Business Unity South Africa



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



Director  
Ms. Bongzi Kumene  
Managing Director (MD) of The  
Banking Association South Africa



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



Director  
Ms. Karabo Morule  
Non-executive director Tyme Bank  
Non-executive director Public  
Investment Corporation (PIC)



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



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



## 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 Brazil, Czech Republic, Egypt, Ghana, Greece, India, Indonesia, Kenya, Malaysia, Nigeria, Philippines, Poland, Slovakia, Sri Lanka, Swaziland, Tanzania, the United Kingdom, the United States of America, and Zimbabwe 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.

During the past year, problem statements submitted to the IDRU were predominantly grounded in risk disciplines and therefore, were suitable for the Directed Risk Research Programme funded by the Department of Science and Innovation.



## RESEARCH REPORTS

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### Measuring Concentration in banking

The draft research report “Measuring concentration in banking” has been finalised and is due to be published. The report takes an in-depth look into the measurement of concentration and by default competition in the banking industry. The report examines 17 different measures of competition and suggests that the Herfindahl-Hirschman Index, the simplest and most popular measure, provides no guidance to policy makers on the state of competition in the banking industry.

The highly regulated nature of the industry provides little to no features of the hypothetical academic models developed to explain the structure of markets, and therefore describing the banking industry as a monopoly, merely acknowledges the limitations of the banking industry.

The research introduces the impact of regulations on competition, the role of banks in society and examines the various forces that influence the markets for bank products including digitalisation. Several thematics can be extracted from the paper and would be useful for shorter research pieces that can be used to engage policy makers and regulators.



## WORKING PAPERS

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### 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.

During 2020, the impact on bank lending was measured between two pivotal periods of the Covid-19 pandemic and has provided important insights.



## EVENTS

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### Banking masterclass – agility in banking

In April 2021, the Centre of Excellence hosted an agility in banking masterclass in partnership with one of our board members Professor Euvin Naidoo. We are very grateful to Professor Naidoo, for facilitating this banking masterclass, and sharing his knowledge with South African industry experts and policy makers. What was intended as executive development for our board, became an industry event drawing participants from across the spectrum of financial institutions. It was well received by all, and for many participants being exposed to COEFS for the first time, this was a positive endorsement for our brand.

