



Stakeholder Engagement Report

2023/24



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ABOUT US

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

The geopolitical tensions have not abated over the past year, with the Russian invasion of Ukraine remaining unresolved, new conflicts between Palestine and Israel in Gaza and Yemen's Houthi rebels targeting ships in the Red Sea, global stability remains challenging. Potential conflicts with Iran and a growing polarisation between East and West all set the stage for increasing tensions, as the presidency of the G20 shifts to South Africa.

Having recently chaired the BRICS in 2023, South Africa is well positioned to mediate international economic cooperation and build on the progress of previous presidencies. With its newly formed Government of National Unity, it should be able to successfully host and elevate the African agenda into the G20 narrative.

However, the economy is still underperforming, and government remains the primary catalyst for economic growth, despite private enterprise willingness to partner and support remediation in energy, logistics and safety and security. Removing South Africa from the FATF grey listing remains a critical deliverable, and with social pressures rising it will not be easy for our new government to balance the many competing priorities.

During the past year, COEFS published a research report on the state of SMEs and how access to finance, although a popular narrative for the lack of growth of this sector, is not the single point of failure and that there are many friction points, all contributing to the current state of SME development.

We continue to support the importance of critical raw materials, as the discussion in South Africa gains traction, since the last masterclass. We will be hosting a follow up masterclass on the role of critical minerals in a circular economy.

We have released an opinion piece jointly with a former director Karabo Morule on the Case for catastrophe bonds in South Africa and have partnered with the National Institute for Theoretical and Computational Sciences to relaunch the Industry Directed Research Unit.

Through our Digital Innovation Research Unit, we are exploring ethics in banking and how quantum computing can be adopted in the financial sector. We are also exploring how lifestyle audits can be used, and how the financial sector can leverage the African Continental Free Trade Area.

During the year, we bid farewell to **Mr Cas Coovadia**, a founding director of COEFS, and welcomed **Ms Viviene Pearson, CEO of the South African Insurance Association**, **Ms Qiniso Mthembu Group Chief Risk Officer at the JSE** and **Mr Kuben Naidoo former CEO of the Prudential Authority and Deputy Governor of the South African Reserve Bank** to the board.

The generous support provided by The Banking Association South Africa remains a key success factor for COEFS, leveraging their administrative infrastructure to allow us to focus on producing quality research. We are privileged to join them at their new offices in Rosebank.





BOARD OF DIRECTORS



Executive Director
Mr. Mark Brits
Director National Research Foundation
SGM The Banking Association South Africa



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



Director
Dr. Reuel Khoza
Chairman Discovery Bank and Discovery Bank Holdings



Director
Ms. Bongi Kunene
Managing Director of The Banking Association South Africa



Director
Dr. Lumkile Mondi
Senior Lecturer at the School of Economics and Business Sciences of the University of the Witwatersrand



Director
Ms. Qiniso Mthembu
Group Chief Risk Officer at the
Johannesburg Stock Exchange



Director
Prof. Euvin Naidoo
Distinguished Professor of Practice
in Global Accounting, Risk & Agility
Thunderbird School of Global
Management



Director
Mr. Kuben Naidoo
An executive at Investec Bank and
former Deputy Governor of the
SARB



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



Director
Ms. Viviene Pearson
CEO of the South African Insurance
Association



OUR APPROACH TO RESEARCH

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, Cabo Verde, Czech Republic, Egypt, Ghana, Greece, India, Indonesia, Kenya, Latvia, Malaysia, Mauritius, Nigeria, Pakistan, Philippines, Poland, Slovakia, Sri Lanka, Swaziland, Tanzania, the United Arab Emirates, United Kingdom, the United States of America, Zambia, 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

We have partnered with the National Institute for Theoretical and Computational Sciences (NITheCS) to provide real world financial sector problem statements to the universities so they may focus on solutions-oriented research.



DIGITAL INNOVATION RESEARCH UNIT

As the fourth industrial revolution manifests in tangible digital innovation, the digital innovation research unit has identified potential areas of interest to our board. One of the emerging challenges is the potential abuse of artificial intelligence and we have initiated a project to examine the ethical dimension of artificial intelligence in the South African banking sector.

Key issues include the transparency and accountability of AI systems, particularly in how decisions are made and explained. Furthermore, there is growing concern over potential biases embedded within AI algorithms, which could lead to unfair treatment of individuals based on race, gender, or socioeconomic status.

Another area of interest is how can South African financial services embrace quantum computing? Quantum is a double-edged sword for security because quantum computing is very fast and potentially a game changer for solving complex problems, but the same power can be used for nefarious means, e.g., decrypting large prime factorised numbers in Shor's algorithm, the foundation of financial security architecture. However, quantum introduces and represents not only the threat but also the solution.



RESEARCH REPORTS

Banking on small and medium-sized enterprises

For many commentators on SME, lack of funding for SME growth is a popular narrative. From our research we have concluded that SMEs have a multitude of funding options, both from government and the private sector, which removes finance as the single point of failure for SME. The research introduces financial literacy, compliance cost, information asymmetries and transparency, as some of the areas that need to be addressed before the potential of the sector can be fully realised.

As digital tools emerge, the ability to collect non-financial and unstructured data becomes a reality, enhancing the credit decision making process. Sharing of data becomes an important discussion point as banks and other financial services providers look to enrich their credit scoring models.

SMEs are not a homogenous grouping as they come from multiple industries and have unique needs at each stage of their development, introducing complexity to the understanding required to adequately service the SME. The ecosystem that supports SMEs is fragmented, with many participants unaware of the opportunities to collaborate with one other or be referred to a service provider better positioned to assist. This limitation lends credibility to an ecosystem approach that can create a pipeline of support enabling the SME to enter the ecosystem at the right level.

Recognising that South Africa has a dual economy, one digitally enabled and the other cash-based, by policy makers, would assist greatly with focused solutions that can support the growth of the SME while offering a practical transition towards a digital economy.

We believe that the National Integrated Small Enterprise Development masterplan provides a useful starting point for the collaboration required to co-create an environment that is measurable, with uniform definitions, while digital enablement by government to meet the increasingly digital population will become a catalyst when responding to emerging challenges.



As traditional human centric credit processes are becoming more expensive to maintain, banks are increasingly adopting digital onboarding, digital processing and digital credit decision making as they explore the appropriate balance to servicing their customer base.



EVENTS

COEFS Masterclass: The role of critical minerals in a circular economy

Following the success of the masterclass held last year, we have invited Dr Nandi Malumbazo to provide an update on progress. South Africa is still at an infancy phase in mapping and determining the critical minerals which are available for its economic development. There are several initiatives from policy making to research and development underway, but they are largely uncoordinated. There is a need to resuscitate the ongoing dialogue around the concept of “critical minerals” and based on these emerging discussions we plan to have a follow-up masterclass event titled “The role of critical minerals in the circular economy” during August as a way of actively promoting this conversation and updating interested parties on progress.