CENTRE OF EXCELLENCE IN FINANCIAL SERVICES

Stakeholder Engagement Report 2024/25

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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

During the past year, the most notable event was the change in global leadership through the election of a new president in the United States of America. South Africa was not immune from the events that unfolded, with significant disruptions to aid flowing from the US AID programme for health research and the imposition of tariffs on exports to the USA on South African manufactured goods.

We partnered with the Institute of International Finance and held an in-person round table event in Johannesburg during December, to unpack the potential shift in the US policy agenda amongst other topics.

We also hosted the first financial sector discussion, under the umbrella of what is keeping your organisation awake at night. Drawing from our board members and invited guests, we were able to bring together representation from financial sector trade associations and financial market infrastructures.

During the past year we published two working papers, “Ethical dimensions of artificial intelligence in the South African banking sector”, a timeous piece of research which has been well received. We have engaged with policy makers and regulators on the direction of national policy. We have also engaged banks on the research and more broadly the ethics community.

The second working paper was “How the South African financial sector can embrace quantum”. Another timeous contribution, as UNESCO declared 2025 the International Year of Quantum Science and Technology.

We also hosted a follow up masterclass on critical raw materials and the circular economy and presented at the third African Continental Free Trade Area conference on a banking response to the AfCFTA, a future research report.

We bid Dr Reuel Khoza farewell over the period, and welcomed Mr Kaizer Moyane, CEO of the Association for Savings and Investment South Africa (ASISA) to the board.

We also recognise the generous support provided by The Baking Association South Africa who provide access to their administrative infrastructure and premises as required. This remains a key success factor for COEFS allowing us to continue with the task of producing quality research.

BOARD OF DIRECTORS

Executive Director
Mr. Mark Brits
Director National Research Foundation
Head: Prudential: The Banking Association South Africa

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

Director
Ms Pheona Härtel
Chief Compliance Officer
Old Mutual Bank

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

Director
Mr Kaizer Moyane
Chief Executive Officer Association for Savings and Investment 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 joined the National Institute for Theoretical and Computational Sciences in their weeklong facilitation of a quantitative mathematics workshop in the areas of sustainability, climate-related risks and innovative financial modelling.

We continue to supply real world problem statements to the NITheCS as we support their valuable work in this field.

DIGITAL INNOVATION RESEARCH UNIT

The G20 has given more impetus to the digitalization of public infrastructure, effectively mandating a whole of government approach that not only engages the citizen, but also shares information among government departments. The impending transition to a digital financial identity is to be welcomed, with the Department of Home Affairs and State Information Technology Agency needing to align their services to a more agile and responsive service providers.

A national strategy on artificial intelligence is imminent and with low earth orbiting satellites, that will provide solutions to rural access to the internet, the commitment to a digital nation is well entrenched.

We have done research into lifestyle audits as a tool to mitigate against fraud and the omissions from conflict-of-interest declarations that can be pivotal to these initiatives. The FATF grey listing has energized the CIPC to find solutions for ultimate beneficial ownership of businesses and a refocused criminal justice system has begun making noteworthy in roads into the state capture evidence.

With cash being reduced as a viable payment mechanism, digital oversight will become the guiding hand for good citizenship.

Ethical dimensions of artificial intelligence in the South African banking sector

Ethics has been amplified by commentators, as a solution to the perception that inherent bias through the use of data bases, unfairly impacts outcomes for the customer, when reliance is placed on machines like artificial intelligence to provide support to key decision making.

Ethical concerns such as data privacy, algorithmic bias, transparency, and accountability were explored in this paper as AI is integrated into banking operations. It was clear that banks understood the risks inherent in embracing AI and the ethical challenges were broadly recognised and being addressed.

Collaboration between policy makers, regulators, technology developers and the banks were an important thematic, providing the most effective approach to scale the benefits of AI retaining trust and expediting innovation.

As a concept, ethics provides a useful starting point for a debate that is multi-faceted. But the rights of consumers are definitely not equal and a uniform approach to protecting the innocent, cannot include those that are involved in criminal activity or fraud.

A risk-based approach was also supported, as not all AI applications pose equal threats. Credit scoring and fraud detection would require higher levels of human oversight while AI enabled call centres and chatbots may require no oversight at all.

As South Africa crafts its AI strategy, we were able to engage with many policy makers, regulators, ethics practitioners and financial market participants on this important juncture in our regulatory journey.

How the South African financial sector can embrace quantum

For most people, Chat GPT suddenly made the power of data combined with artificial intelligence a reality and made the individuals personal digital footprint a cause for concern.

Our paper focused on how banks were approaching this new threat of quantum computing, potentially more important than AI, and what it means for banking in particular. The threat that complex mathematical encryption techniques used to safeguard the sharing of data, as the public transacts in their day-to-day activities, could be compromised with quantum computing should elevate the conversation from a technical discussion at a security level, to the board room.

What was interesting was the lack of appreciation for the national quantum strategy and the many universities that are focused on quantum research. Although it is unlikely that South Africa will build a quantum computer, metrology and applications using quantum would be within our abilities.

As much as quantum introduces a threat to the mathematical certainty we have enjoyed through the use of large prime numbers, it may also provide the solution as it introduces physics not mathematics as a solution to a new way of working with security and data sets.

This complex subject will impact all our lives and in one form or another we will become used to quantum enabled AI supporting our decision making without being required to actively participate.

EVENTS

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

As an event held around a week long science symposium, the masterclass drew on both local and international speakers with Dr Nandi Malumazo on the potential to clean up the evidence of our coal past by extracting minerals from secondary sources. Mr Mark Jensen of the American Resource Corporation providing a global perspective of the subject and Sivenesan Govender a Phd candidate on the intersection of electric vehicles and the circular economy.

Financial sector round table discussion:

COEFS has hosted a round table amongst the executives of the South African financial sector trade associations and financial market infrastructures to discuss what is keeping their boards awake at night.

The government of National Unity has provided a much-needed boost to sentiment, but this is yet to translate into higher economic growth. Factors that are impeding growing include the impact of the FATF grey listing, high public debt levels and infrastructure constraints.

A robust and proactive discussion to address opportunities and challenges facing South Africa's financial sector culminated in several suggestions, demonstrating a willingness to continue working with government on these complex issues, by allocating appropriate resources.

We hope to engage government on some of these suggestions and make this round table discussion a more inclusive and regular feature of the COEFS calendar.

Round table on global banking regulatory trends:

COEFS hosted a workshop with the Institute of International Finance in Johannesburg during December 2024. Invited guests were drawn from the banking sector, academia and our board and four important themes were unpacked.

How a Republican presidency could shift the US policy agenda, lessons learned from the 2023 banking crisis, the future of Basel III and prudential regulatory capital, and a discussion around AI and if it is a future threat or largely misunderstood.