

SA's deposit insurance fund to act as buffer in event banks are placed into resolution

Bank depositors' funds are now being offered added protection with the launch of SA's first deposit insurance body by the South African Reserve Bank (Sarb) - the Corporation for Deposit Insurance (Codi).



Source: Reuters.

Codi became a legal entity as of 24 March 2023, as set out in the commencement schedule published by Finance Minister Enoch Godongwana.

The commencement schedule outlined the dates at which the resolution and deposit insurance provisions in the Financial Sector Laws Amendment Act 23 of 2021 (Fslaa) come into operation. The Fslaa was signed into law by President Cyril Ramaphosa in 2022.

Codi's primary responsibilities are establishing, maintaining and administering a deposit insurance fund to protect the banks' covered depositors and inform the depositors of its benefits and limitations should a bank be placed into resolution.

Codi is developing secondary legislation which specifies the cover limit for depositors. The secondary legislation will be passed through a parliamentary process and published by National Treasury this year.

The legislation is required for Codi to become operational in 2024 and provide the necessary protection for depositors.

While Codi is a statutory body and a subsidiary of the Sarb, it has an independent board which will manage and oversee its affairs.

Codi has been collaborating with South African financial institutions and other stakeholders, including the World Bank, to ensure a smooth implementation of the deposit insurance scheme.

Codi is part of the Twin Peaks regulatory reforms following the 2008/09 global financial crisis.

Its establishment supports the Sarb's mandate of protecting and enhancing financial stability by monitoring the financial environment and mitigating systemic risks that might disrupt the financial system.

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