



# POLICY IMPLEMENTATION

# Monetary policy in a world of high inflation

Stubborn inflation: Global policy rates to remain ‘high for longer’

## Overview of the world economy

Despite moderating from 8.7% in 2022 to 6.8% over the past year, global inflation remains high relative to the inflation targets of 2–3% that many advanced and emerging markets are trying to achieve. While monetary policy around the world has tightened and supply chains heavily impacted by the pandemic recovered, the return to inflation targets is not yet assured. Price inflation remains stubbornly elevated as reflected in the repeated setbacks that many countries, including South Africa, have experienced in recent months.

Slowing global disinflation is mainly due to inertia in core inflation, with goods price inflation high through 2023 and services price inflation sticky due to pent up demand. In emerging market economies, currency depreciation has often further delayed disinflation.

The stubbornness in inflation also reflects stronger-than-expected and sustained fiscal policy support. Inflation, and to some extent global growth at 3.2%, surprised on the upside over the past year despite high interest rates. Performance, however, varied across countries. The United States (US) outperformed its peer advanced economies. Robust growth was evident in India, while growth in China appeared to falter amid a real estate sector crisis and weak domestic demand.

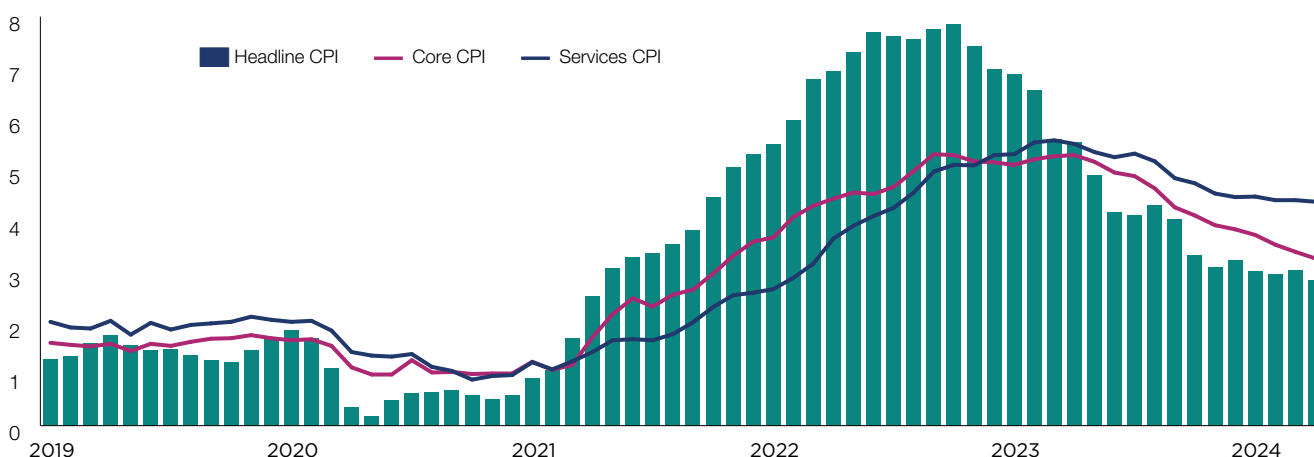
Growth levels in many economies, however, still remain below pre-pandemic trends and are expected to start rising again from

next year. Weaker commodities prices have impacted negatively on commodity exporting economies. The SARB projects trading-partner growth to soften this year to 2.6% (from 2.9% the previous year), before recovering to 3.1% by 2026.

Returning to the fight against inflation, restrictive monetary policy has helped moderate credit demand and signalled central banks’ commitment to getting inflation back to targets. However, the apparent resilience in economic activity despite ‘tight’ monetary policy suggests that the neutral real interest rate may have shifted higher, raising questions regarding the current calibration of monetary policy in many jurisdictions. For many emerging markets there is the additional hurdle of currency depreciations that may add to further disinflation, implying possibly high interest rates overall.

## Inflation in advanced economies

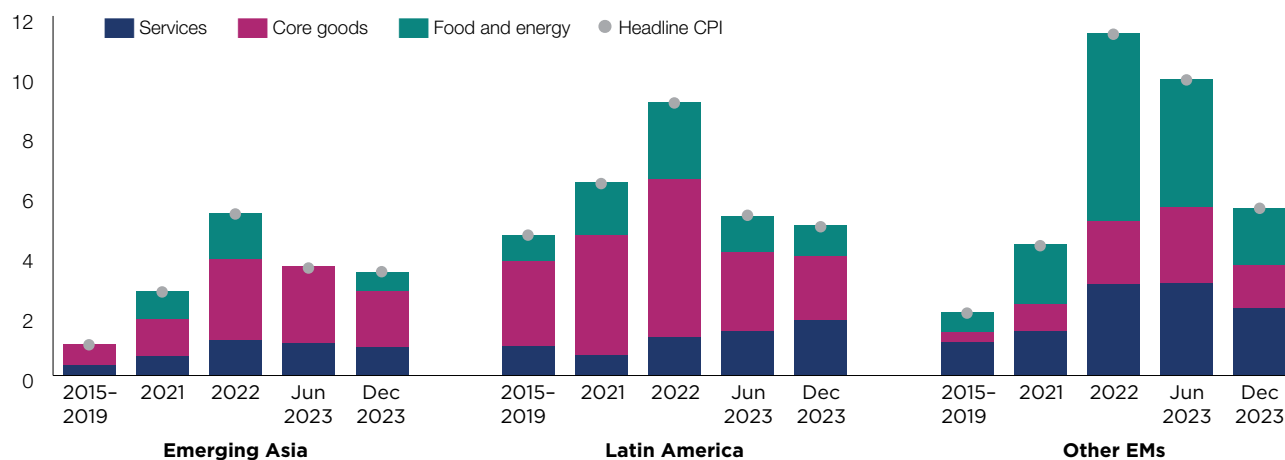
Percentage change over 12 months



Source: Haver

## Contributions to headline inflation in emerging markets

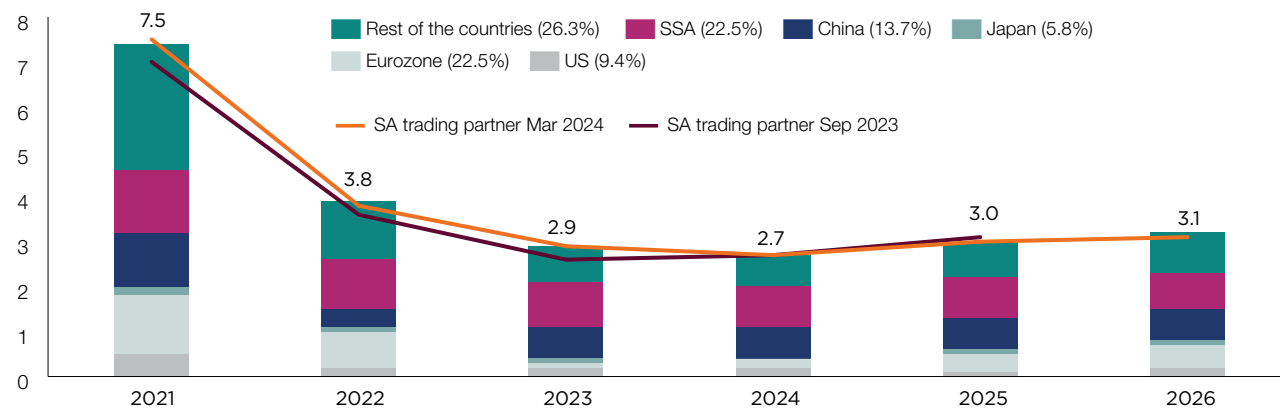
Percentage points



Source: BIS

## Contribution to global growth\*

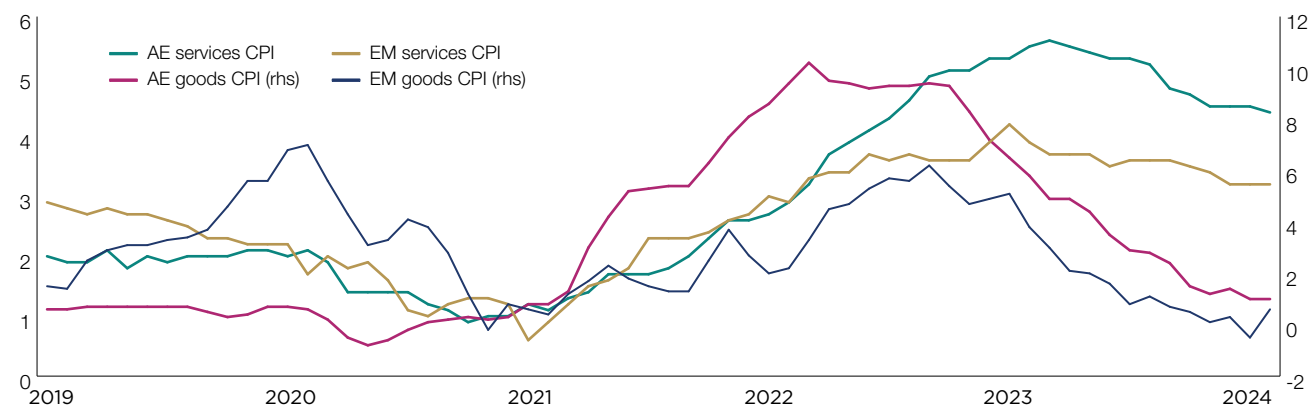
Per cent



\* Weights in brackets | Source: SARB

## Goods and services inflation

Percentage change over 12 months



Sources: Haver and SARB



## Domestic real economy developments

Gross domestic product (GDP) growth more than halved to 0.6% in 2023, from 1.9% in 2022, as load-shedding and logistical challenges weighed on the economy. When measured against a growing population and labour force, this is a very poor outcome.

The primary sector detracted the most from GDP growth this past year, with agriculture declining by 12.2% despite favourable weather conditions and good harvests. Both load-shedding and logistical bottlenecks impacted the sector markedly, along with foot and mouth and Avian flu diseases.

In addition to supply constraints, support from the demand side was subdued as household spending and investment growth slowed in the latter half of 2023. Commodity export prices also continued to retreat from their pandemic highs, reducing the contribution of foreign demand to domestic economic activity.

Employment growth, however, remained relatively strong in 2023, finally surpassing the jobs level that existed prior to the pandemic.<sup>1</sup> Nevertheless, with a larger labour force,

the unemployment rate remains elevated at 32.9% in the first quarter of this year.

Lower commodity export receipts, combined with muted economic growth, will weigh on the fiscus, underscoring the importance of government's fiscal consolidation. Encouragingly, government managed to achieve a small primary surplus in the 2023/24 fiscal year – the first in 15 years.

Looking ahead, the domestic economy is expected to grow by 1.2% this year, rising to 1.6% by 2026. Consumption spending will be bolstered by declining inflation and the boost to real income from the two-pot pension reform. At the same time, electricity supply is also projected to improve, underpinned by the ongoing private investment in renewable-energy generation and increased maintenance by Eskom.

Meanwhile, the combination of weaker exports, improved investment and low savings rates, is expected to increase the demand for foreign savings, as reflected in a current account balance forecast that deteriorates to -3.1% of GDP by 2026, from -1.9% of GDP in 2024.

### GDP

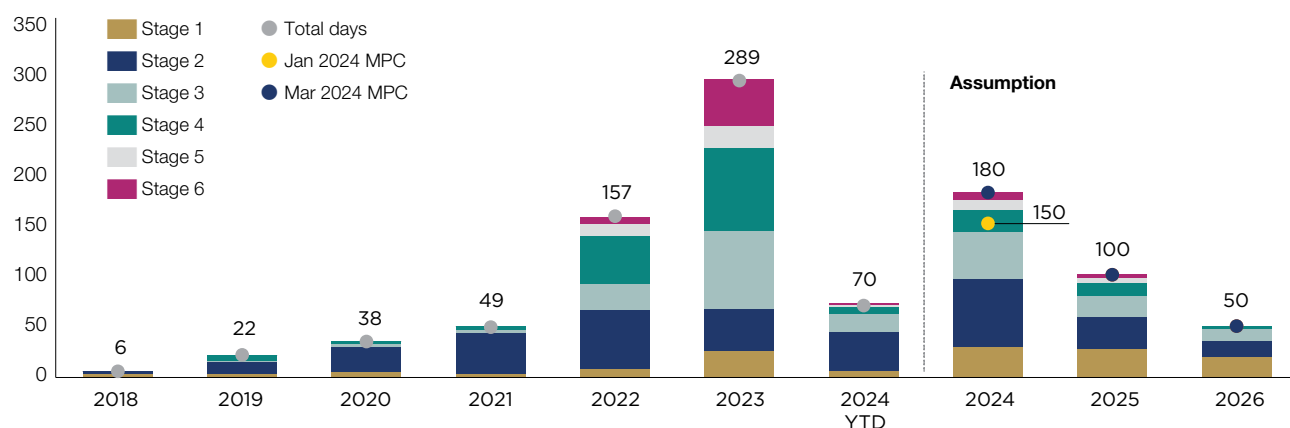
#### Percentage change over four quarters



Sources: IMF, Stats SA and SARB

### Frequency of load-shedding

#### Number of days\*



\* Calculated as total hours of load-shedding/24.  
Sources: ESP app, Eskom X account and SARB

1. Based on non-seasonally adjusted data from Stats SA.

## Inflation dynamics

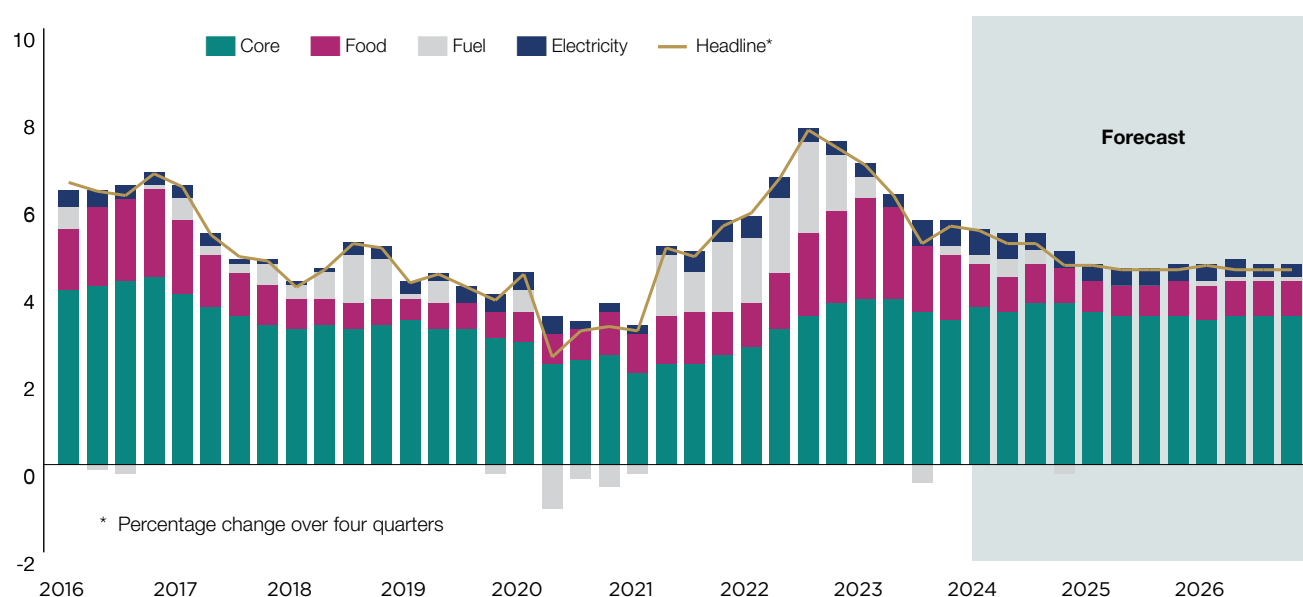
In line with the global trend, South Africa's headline inflation decelerated over the past year and averaged 6.0% in 2023, down from 6.9% in 2022. Since September 2023, however, headline inflation has fluctuated in the 5–6% range, with monthly setbacks amid slower-than-expected disinflation in food and volatility in fuel prices.<sup>2</sup>

Core inflation jumped 0.4 percentage points to 5.0% in February 2024 as services inflation gained momentum, but has softened somewhat since then. Core inflation is forecast to average 4.7% this year (4.8% in 2023), and to slowly revert to the target midpoint over the medium term, reflecting the normalisation of some components such as housing and medical insurance inflation.

Headline inflation is projected to be lower at 5.1% this year. However, its return to the target midpoint is only expected in the second quarter of 2025, with the slower reversion reflecting the above-mentioned core inflation pressures and elevated administered price inflation.

### Contributions to headline inflation

#### Percentage points



Sources: Stats SA and SARB

2. Inflation moderated to 5.1% in December 2023 from 5.9% in October, before accelerating to 5.6% in February 2024.



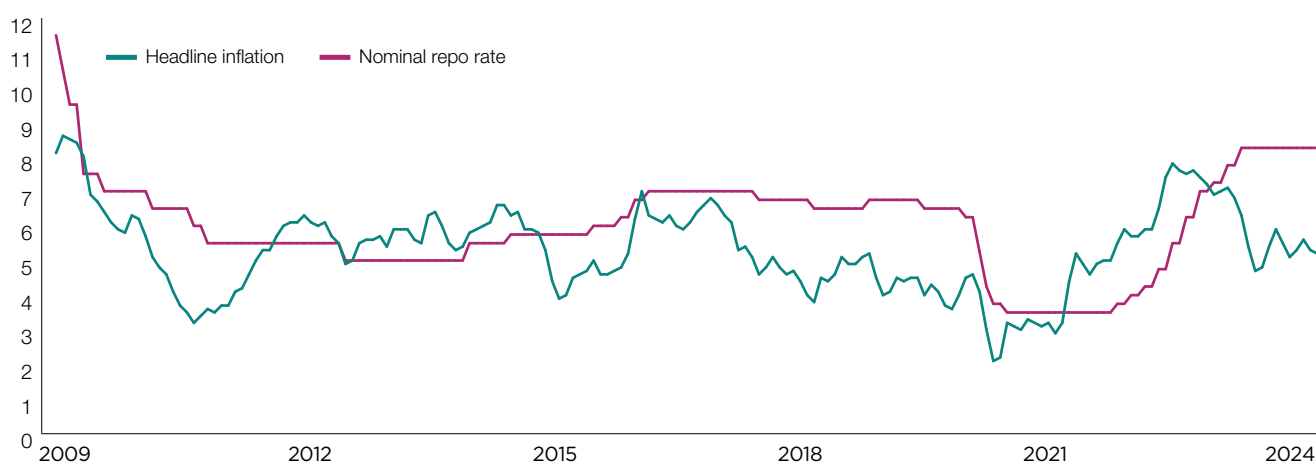
## Monetary policy decisions

The MPC has kept the repurchase (repo) rate unchanged at 8.25% over the past six MPC meetings. The repo rate was last changed in May 2023 when it was raised by 50 basis points and is currently judged to be moderately restrictive.

Despite the tighter policy stance, headline inflation has remained above the target midpoint for 36 consecutive months and inflation expectations persist above 5.0%. The expectations of future inflation need to be better anchored at the midpoint of the target band, an effort that should be achieved with the current policy stance, stronger productivity growth and a moderating credit risk premium for the economy as a whole. The MPC will maintain its focus on ensuring the appropriate transmission of monetary policy to the economy and guiding inflation down to a sustainable rate.

### Repo rate and headline inflation

Per cent



Sources: Stats SA and SARB

## Governance structure

### MONETARY POLICY COMMITTEE (meets every two months)

#### Chairperson

Governor of the SARB

#### Members<sup>3</sup>

##### DGs and the Head of ERD

C (Christopher) Loewald

##### Adviser to the Governors

D (David) Fowkes

#### Responsibilities

The MPC drives the SARB's responsibilities to achieve and maintain price stability by:

- reviewing economic data, including forecasts, and deciding the appropriate interest rate needed to deliver the SARB's mandate and meet the inflation target; and
- engaging with stakeholders and the public on its monetary policy decisions in the press conference that follows each meeting and various Monetary Policy Forums (MPFs).

3. Other than the DGs, the members of the MPC are appointed by the Governor after consultation with the DGs.

# Addressing climate change risks

Climate-related risks are increasing due to the lack of a coordinated global response by governments to combat climate change and restrict temperature increases to 1.5 degrees Celsius. Different countries are transitioning at different paces, exacerbating the risks associated with a disorderly global transition.



In this environment, central banks face higher risks to financial and price stability. There is more urgency to increase the resilience of financial systems to climate-related shocks and ensure strong monetary policy credibility to address larger and more persistent price shocks.

The SARB continues to analyse the impact of emerging global and domestic climate-related risks and develop policy responses guided by global best practices.

Over the past year, the PA published four guidance notices on climate change for public comment. These guidance notices covered climate-related disclosures as well as risk management and governance practices for banks and insurers. The PA seeks to enhance industry's climate-related risk practices and disclosures on a voluntary basis, promote comparative transparency and ensure appropriate international alignment. Following industry consultations, 45 written submissions were received from 28 entities. For the year ahead, the PA will monitor implementation through ongoing supervision, sharing best practice insights and develop case studies and training material.

The PA finalised a supervisory guideline on climate-related risk and undertook 22 engagements with boards of directors and senior management of selected financial institutions. These discussions allowed the PA to understand how institutions are

responding to and managing climate-related risks, and what actions they are taking to improve their resilience. For the year ahead, the PA will develop a climate risk dashboard to identify the materialisation of certain physical and transition risks as well as the exposure of specific institutions.

The SARB has focused on developing tools to analyse the impact of climate change-related risk on the stability of the wider financial system. Preliminary research to assess the materiality of certain transition risks for the South African banking sector has been completed. The results are being assessed for potential policy and macroprudential monitoring implications. The climate stress test of systemically important banks was initiated in March 2024 and is scheduled for completion in early 2025. A smaller climate risk add-on was also included in the macroprudential stress test of insurers in 2023/24.

The SARB has published a series of short notes exploring the impacts of specific physical and transition risks. Topics include South Africa's energy transition, carbon taxation in South Africa and the risks of carbon border adjustment mechanisms; price and non-price tools for climate change; the short-term impact of physical climate risks; and the importance of rare earth metals.

As part of the 2023 South African BRICS Presidency (i.e. Presidency of the BRICS group of countries Brazil, Russia, India, China and South Africa), the SARB also published a report on how technology can be used to address climate-related data gaps. A call for research proposals by the SARB is expected to generate several working papers examining climate-related topics, including further analytical work on the implications of climate change risks for monetary policy.

The SARB continues to contribute to the global policy agenda. In January 2024, DG Tshazibana was appointed as Vice-Chair of the NGFS in recognition of the leading role the SARB plays in global policy debates in this area. The SARB and PA participate in the finance streams of the G20, the workgroups of the NGFS, the International Association of Insurance Supervisors (IAIS) and Sustainable Insurance Forum (SIF), BCBS and the Sustainable Banking and Finance Network (SBFN).

On the financial markets and investments front, the SARB's work focuses on three pillars: developing and implementing an ESG strategy for South Africa; working with peer central banks within the Common Monetary Area (CMA) and the SADC to promote the greening of the CMA and SADC financial sectors; and contributing to the NGFS.

The ESG South Africa pillar includes incorporating climate considerations into the SARB's investment management framework. To this end, the SARB has reached a significant milestone in its reserve management investment framework, where it is in the process of investing EUR150 million in a green bond. The SARB is doing further work to incorporate ESG considerations into its investment portfolios. The CODI Board has approved the incorporation of ESG considerations into the CODI investment policy and guidelines and work is underway to adopt similar policies for other portfolios such as the CPD and the SARB Pension Fund.

The SARB is progressing with the reduction of its own carbon footprint, guided by recommendations from the NGFS. It has approved a carbon footprint reduction strategy which seeks to cut the organisation's carbon emissions by 30% by 2026, before reducing them to zero by 2035.

The Climate Change Skills Hub, which covers the various work programme themes, has rolled out a range of courses. A training session on the impact of climate change and stress testing held in December 2023 was attended by delegates from regional central banks, National Treasury and the South African Revenue Service (SARS).

# Maintaining financial stability

The FSR Act gives the SARB the legislative mandate to protect and enhance financial stability by ensuring that the financial system is resilient to systemic risks and shocks and can efficiently intermediate funds, even in adverse conditions. Financial stability is necessary for balanced and sustainable economic growth.

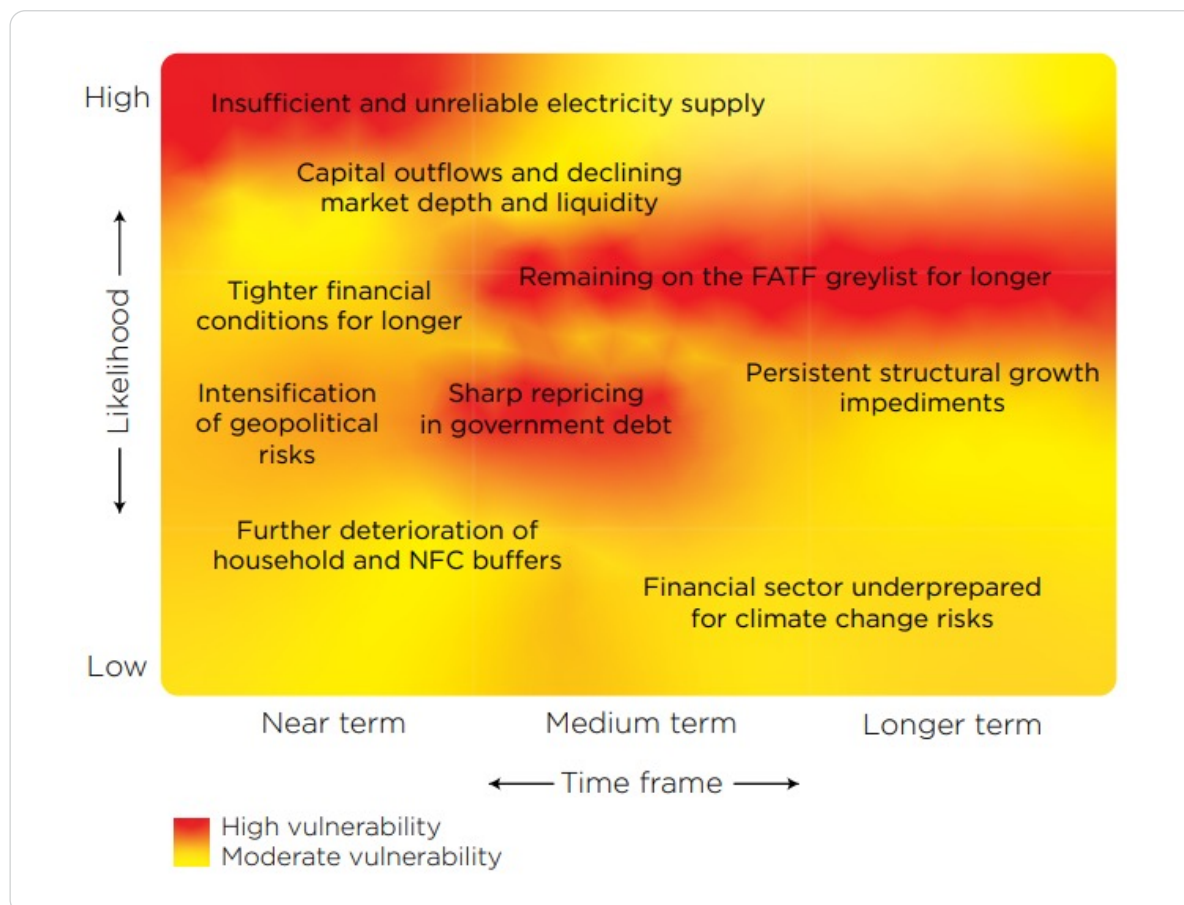
The SARB continually monitors and assesses the build-up of risks and vulnerabilities that may threaten the stability of the financial system. These risks are discussed at FSC meetings and communicated through the biannual publication of the *Financial Stability Review (FSR)*.<sup>4</sup>

## Main risks and vulnerabilities identified in 2023/24

During the period under review, systemic risks that weighed on the financial stability outlook included country-specific factors such as the government's increasing debt levels and higher debt-servicing costs as well as domestic financial institutions' high exposure to it. The implications of being on the FATF greylist also started to materialise during the period under review, with growing evidence of domestic institutions being subjected to increased scrutiny by foreign counterparts.

At the same time, there was a marked decrease in the risk of secondary sanctions being imposed on South Africa and encouraging developments around the potential easing of electricity-supply constraints.

The SARB RVM is a tool that provides a forward-looking assessment of the key risks to financial stability in South Africa over the short, medium and long term. The key risks are identified based on the current state of affairs but also consider possible future developments and the vulnerability of the financial system to such developments.

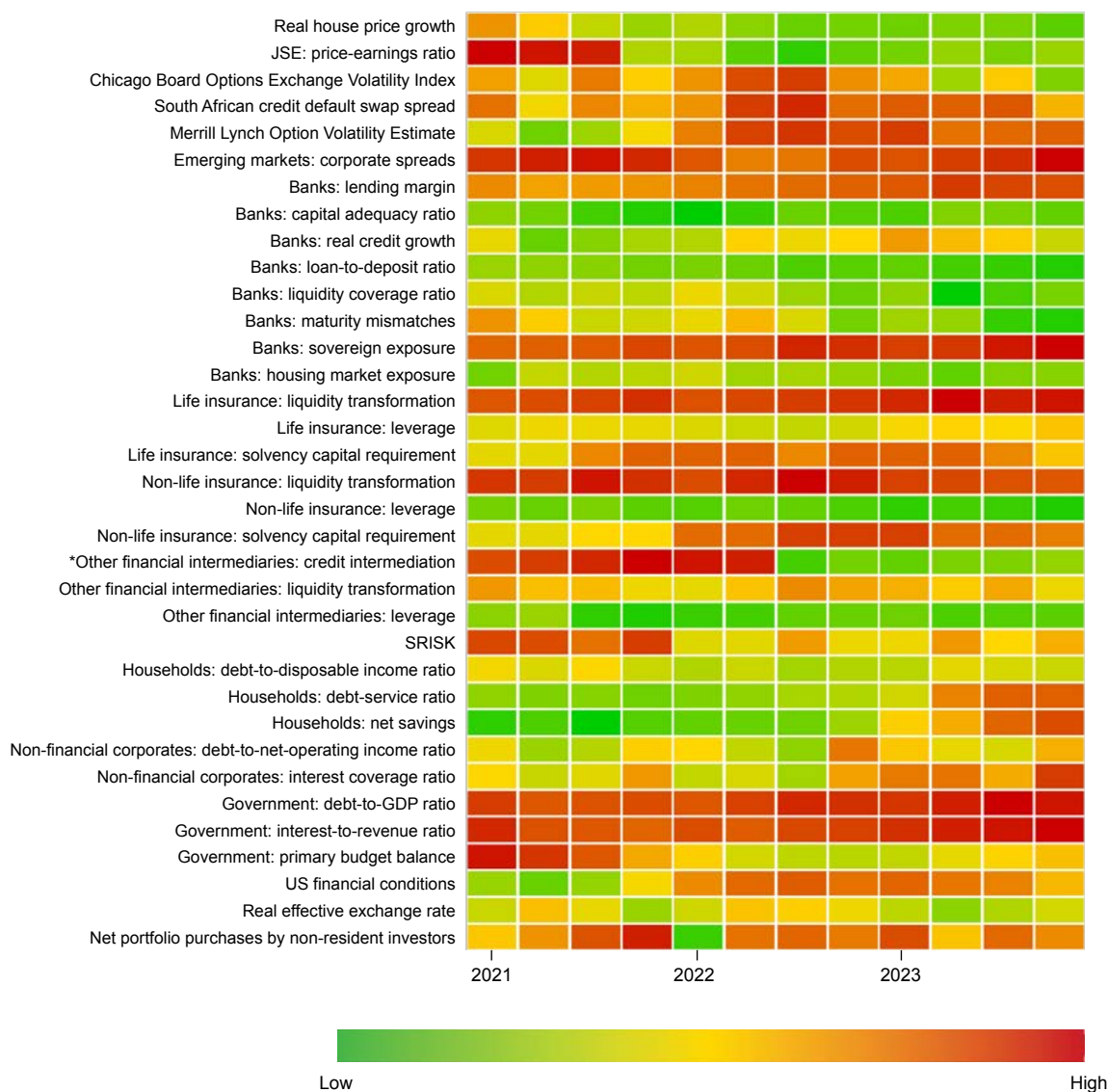


4. The latest edition of the SARB *FSR* is available at <https://www.resbank.co.za/en/home/publications/review/financial-stability-review>.



## Financial stability heatmap

The SARB uses a wide range of indicators that are designed to act as early warning signals of a potential build-up of cyclical changes in the financial system that could lead to vulnerabilities if left unattended. A snapshot of all material developments is reflected in the financial stability heatmap, which is data driven and based on historical information. It does not contain any evaluation of financial stability risks and is a tool used to flag areas for deeper analyses.



Methodology: The heatmap is based on a z-score transformation of the underlying indicators. The transformed indicators are thereafter mapped onto an empirical cumulative distribution function (ECDF). Low values from the ECDF are mapped to green while higher values are mapped to shades of red.  
\*OFIs: Includes unit trusts and finance companies.

## Update from the SARB FSC

At its October 2023 meeting, the FSC resolved that a positive cycle-neutral (PCN) countercyclical capital buffer (CCyB) of 1% be implemented in South Africa. The phase-in period for the 1% buffer will start on 1 January 2025 and should be fully implemented by 31 December 2025. The FSC also resolved that developments around the sovereign-bank nexus did not require formal policy intervention at that stage. It resolved that the PA would develop ways to monitor and close valuation gaps in banks' holdings of SA government bonds.

## Stress testing

Stress testing assesses whether financial institutions have adequate levels of capital and liquidity to withstand extreme but plausible negative shocks. The SARB conducts periodic macroprudential stress tests on South Africa's SIFIs and other potentially systemic institutions.

Stress-testing is a forward-looking macroprudential tool which offers unique insight into the strengths and vulnerabilities of the financial system. It is one of several instruments that the SARB employs to monitor and assess financial stability. Stress-testing

therefore contributes significantly to the protection and enhancement of financial stability, as per the SARB mandate set out in the FSR Act.

The outcome of the 2023 Common Scenario Stress Test (CSST) for banks that was concluded in November 2023 indicated that the banking sector was resilient to a selection of severe but plausible scenarios. This included the escalation of South Africa's electricity crisis and its effect on business activity, employment and household disposable income. In particular, the 2023 CSST results confirm that SIFIs remain well capitalised, sufficiently liquid and able to withstand the severe, yet plausible, shocks simulated under the adverse scenarios of the exercise. While the banking sector's aggregate capital adequacy ratio deteriorated across the adverse scenarios, it still comfortably exceeded the regulatory minimums. Furthermore, the solvency results give a conservative assessment of banks' solvency positions under stress due to the exclusion of unappropriated profits, which provides an additional layer of safeguard. The liquidity stress-test results also confirmed that systemically important domestic banks maintained strong liquidity buffers, well in excess of the minimum prudential requirements.

The 2023/24 bottom-up stress test of the insurance sector was concluded in the second quarter of 2024 and results were reported in the first edition of the 2024 FSR.

The 2024/25 Climate Risk Stress Test (CRST) of the banking sector was initiated in March 2024. Results for this 'first of its kind' stress test are expected in early 2025. Across all its stress tests, the SARB uses a formalised approach to risk identification and makes use of internal tools such as the RVM.

## Designation of the SARB as the Resolution Authority

The SARB has been designated as the Resolution Authority in terms of the FSR Act, read with the FSLAA. The Resolution Authority became operational on 1 June 2023 and will manage all procedures in the event where a systemically important bank or insurance company (designated institutions) is likely to fail or is failing. The FSR Act requires that the SARB develop resolution plans and take steps to ensure that resolution processes are orderly and protect financial stability.

5. An internal non-statutory committee.

6. FSCA, FIC, NCR and PA.

7. Statutory committees prescribed by the FSR Act.

## Governance structure

### FINANCIAL STABILITY COMMITTEE (four meetings during the reporting year)

#### Chairperson

Governor of the SARB

#### Committee members

DGs, MPC members and the heads of line departments

#### Meetings are divided into two sessions:

- an information session on developments in the global and domestic environments that may impact domestic financial stability; and
- a policy session in which mitigating actions are considered that address any adverse impact on domestic financial stability.

### FINANCIAL STABILITY OVERSIGHT COMMITTEE<sup>5</sup> (FSOC) (two meetings during the reporting year)

#### Chairperson

Governor of the SARB

#### Committee members

SARB, National Treasury and representatives of financial sector regulators<sup>6</sup>

#### The FSOC:

- facilitates cooperation between financial sector regulators and the SARB on financial stability matters;
- makes recommendations to the Governor on the designation of SIFIs; and
- makes recommendations to other organs of state to assist in promoting, protecting, maintaining, managing or preventing risks to financial stability.

### FINANCIAL SECTOR CONTINGENCY FORUM<sup>7</sup> (FSCF) (one meeting during the reporting year)

#### Chairperson

DG responsible for Financial Stability

#### Committee members

SARB and representatives of financial sector regulators, financial sector industry associations and organs of state

#### The FSCF assists the FSOC and SARB with:

- identifying potential risks that may result in a systemic event occurring; and
- coordinating appropriate plans, mechanisms and structures to mitigate risks.

#### The FSCF has two subcommittees:

- the Operational Risk Subcommittee, which develops contingency measures for events that could severely disrupt operational continuity in the financial sector; and
- the Financial Sector Cyber Resilience Subcommittee, which focuses on industry-wide efforts to increase the resilience of the financial sector to cyberattacks.

# Protecting depositors

CODI was established as a legal entity on 24 March 2023 and became operational on 1 April 2024. CODI will manage the country's Deposit Insurance Fund (DIF) which will give qualifying bank depositors access to up to R100 000 of their covered qualifying account balances should their banking institution fail, be liquidated and placed into resolution.

South Africa introduced the 'Twin Peaks' model in 2011 in response to the 2008–09 Global Financial Crisis and to reform the regulatory and supervisory system for financial institutions and market infrastructures. The FSR Act mandates the SARB to maintain and enhance financial stability. CODI was established as part of the financial sector safety net, designed to protect vulnerable bank depositors by ensuring that they will have timeous access to their savings should a bank fail.

CODI, a wholly owned subsidiary of the SARB, is mandated to manage the DIF and to raise awareness on the benefits and limitations of depositor protection.

The FSR Act contains high-level provisions for the establishment, functions and governance of CODI. Secondary legislation, namely ministerial regulations and a prudential standard, contains detailed provisions explaining procedural and administrative matters relating to the operations of CODI and the DIF.

Primary legislation also includes the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022 that provides for the collection and administration of levies, as well as the Financial Sector and Deposit Insurance Levies Act No 11 of 2022 that provides for, among other things, the imposition of a deposit insurance levy.

CODI has started to collect premiums and fund liquidity contributions from April 2024. The levies are based on 0.015% of a bank's covered deposits, the premiums on 0.2% of a bank's covered deposits and the liquidity contributions on 3% of a bank's covered deposits.

Membership to CODI is compulsory for all banks registered in terms of the Banks Act 94 of 1990 (Banks Act), Mutual Banks Act 124 of 1993 (Mutual Banks Act) and the Co-operative Banks Act 40 of 2007 (CBA). It also includes banks operating within the borders of South Africa that are regulated and supervised by the PA.





## CODI becomes operational

CODI established governance structures to operate as a Deposit Insurance Scheme (DIS). The two structures, established on 24 March 2023, are the CODI Board of Directors (CODI Board) and the CODI Investment Committee. The CODI Board approved the CODI strategy that included plans for CODI to become fully operational on 1 April 2024. The strategy included finalising a target operating model, developing an IT reporting solution, providing training to banks and drafting liquidity contracts, guarantee agreements and emergency financing-underwriting agreements. CODI also joined the International Association of Deposit Insurers (IADI) as a full member, and together with the PA and National Treasury, tabled the secondary legislation (the standard and regulation). An awareness campaign was developed in collaboration with member banks and rolled out from April 2024.

## Risk and Audit

CODI has, with the SARB's RMCD, completed a strategic risk assessment to identify inherent and residual risks. Risk mitigation plans have been established and approved by the CODI Board.

The SARB's IAD has performed quarterly and annual State of Control Audits. The outcome was that CODI has adequate management controls in place.

## Governance

The CODI Board consisted of the following members:

- **DG Kuben Naidoo** (Chairperson until 30 November 2023), DG Rashad Cassim (Chairperson from 1 December 2023)
- **DG Nomfundo Tshazibana** (CEO of the PA)
- **Unathi Kamlana** (Commissioner of the FSCA)
- **Reshoketswe Ralebepa** (Group CFO of the SARB)
- **Bongi Kunene** (Managing Director of the Banking Association South Africa (BASA) and Independent Director of CODI)
- **Hendrik Nel** (interim CEO of CODI until 31 December 2023), Sabihah Mohamed (CEO of CODI from 1 January 2024)
- **Andre Bezuidenhout** (Independent Director)
- **Vukile Davidson** (National Treasury)

The Investment Committee is responsible for reviewing the investment portfolio of the DIF in accordance with a Board-approved policy; and for making recommendations to the CODI Board regarding the investment of the DIF. The committee consisted of the following members:

- **DG Nomfundo Tshazibana** (Chairperson of the Investment Committee)
- **Hendrik Nel** (interim CEO of CODI until 31 December 2023), Sabihah Mohamed (CEO of CODI from 1 January 2024)
- **Andre Bezuidenhout** (Independent Director)
- **Mmakgoshi Lekhethe** (National Treasury until October 2023)
- **Vukile Davidson** (National Treasury)
- **Pregasen Moodley** (CODI Operations Manager)
- **Sabihah Mohamed** (CODI Policy Manager until 31 December 2023)



## Looking ahead

CODI will focus on, among other plans, the rollout of phase 2 of its I&T infrastructure, developing resolution support processes and promoting deposit insurance awareness. Phase 1 of CODI's IT solution included collecting aggregate deposit data from banks as well as a financial module to calculate banks' premiums, levies and fund liquidity contributions, generate invoices and support other financial transactions. Phase 2 will be rolled out and will focus on receiving and processing single customer view (SCV) calculations and on investment management. CODI will continue to provide a reporting solution to co-operative banks. An internal framework to provide resolution support in line with the resolution strategy of the SARB as the Resolution Authority, will be determined for each bank. A communication and awareness strategy, approved by the CODI Board, kicked off in April 2024 and includes an extensive press awareness campaign, as well as guidance and training on deposit insurance to enable banks to meet their public awareness obligations.



# Prudential regulation

The PA continues to execute its mandate of promoting the safety, soundness and integrity of regulated financial institutions and market infrastructures and protecting financial consumers from the risk that these institutions may fail to meet their obligations.

The PA regularly assesses and reviews whether the scope of regulation and subsequent risks identified are mitigated. It continues to enhance risk-based, outcomes-focused and forward-looking supervision for the growth and sustainability of the sectors under its ambit.

For the year under review, the majority of financial institutions were well capitalised and remained resilient, despite operating in a difficult environment of stagnant economic growth, intensifying geopolitical tensions, extreme weather conditions and rapid technological change.

The PA has seen financial institutions repositioning themselves to remain competitive, including offering new financial products, becoming increasingly digital, partnering with financial technology firms and using artificial intelligence (AI) to better utilise customer information and build risk management models.

In 2023, the PA selected two flavour-of-the-year topics: organisational resilience and climate-related risks, to assess financial institutions' ability to absorb and adapt in a changing environment as well as their response to risks related to climate change.

In February 2023, the FATF added South Africa to the list of jurisdictions under increased monitoring, citing deficiencies in meeting international standards relating to the prevention of money laundering, terrorist financing and proliferation financing. Significant progress has been made towards the remediation of action items and all stakeholders are actively engaged to ensure South Africa is removed from the greylist at the earliest possible time.

## Regulatory Strategy progress:

### Strengthening and enhancing the regulation and supervision of deposit-taking institutions

#### Banks

On 21 September 2023, following extensive consultation during 2022/23, the PA made amendments to the Regulations relating to Banks (Regulations) related to credit risk, operational risk, the exposure definition of the leverage ratio framework and the output floor.

These proposed amendments include the remaining Basel III post-crisis reforms issued by the BCBS for member jurisdictions. The implementation date of the amended Regulations is 1 July 2025.

The draft Prudential Standards on Market Risk and the draft Prudential Standard on Credit Valuation Adjustment were also issued for public comment. The PA is currently reviewing the comments received. The implementation of the draft standards is 1 July 2025.

#### Mutual banks

The PA plans to develop seven prudential standards for mutual banks covering governance and risk management, operational risk management, credit risk, liquidity risk, interest rate risk in the banking book, capital and economic returns. These will be published for further comment in 2024.

#### Co-operative financial institutions and co-operative banks

The PA drafted four prudential standards covering registration and operational requirements, governance, risk management and financial soundness.

### Implementing the financial conglomerate regulatory and supervisory framework and effectively supervising financial conglomerates

The draft Prudential Standard FC01: Capital Requirements for Financial Conglomerates is still undergoing field testing, which is expected to continue during 2024. The PA's Supervisory Framework for Financial Conglomerates is already in use and will undergo refinements to incorporate details of the capital requirements standards for financial conglomerates being FC02: Intragroup Transactions and Exposures, FC03: Auditor Requirements, FC04: Governance and Risk Management and FC05: Risk Concentration. The PA is monitoring the implementation of the prudential standards that came into effect on 1 January 2022.

## Strengthening and enhancing the prudential regulatory and supervisory framework for market infrastructures

- The development of a regulatory framework for central clearing, in alignment with G20 requirements in terms of which OTC derivative transactions should be cleared through a counterparty, is in progress.
- Frameworks about the licensing of external FMI have been published for comment.
- The draft Joint Standard on Minimum Requirements for the Recovery Plans of Market Infrastructures has been reviewed by the PA and FSCA's policy governance channels.
- Comments from the PA, SARB and FSCA on the Financial Markets Act Amendment Bill were incorporated by National Treasury.

## Strengthening and enhancing the regulatory and supervisory framework for significant owners

During 2023, a number of applications for significant ownership of financial institutions were processed. The PA is monitoring the significant ownership framework and annual assessments of the fitness and propriety of significant owners of specific financial institutions.

## Strengthening and enhancing the regulatory and supervisory frameworks for insurers

- The proposed **Public Disclosure Standard for Insurers**, issued in terms of section 45 of the Insurance Act 18 of 2017 (Insurance Act), requires insurers to publicly disclose prescribed quantitative and qualitative information.
- The proposed **Liquidity Risk Management Standard for Insurers** will be circulated for public consultation during 2024.
- The **Joint Standard on Outsourcing** was tabled in Parliament in December 2023.
- The PA shared with the industry a high-level, interim approach to index-based or parametric insurance. This is a form of insurance where claim payments are based on values obtained from an index that serves as a proxy for losses. The PA will consider licensing applications for index-based products under section 5(4) of the Insurance Act, which permits insurers to offer these products as business other than insurance business, provided the PA gives its approval.

## Supporting financial innovation and new technologies

The PA promotes responsible innovation through its continued participation in the Intergovernmental Fintech Working Group (IFWG).

The BCBS consulted the PA on amendments to its standard on the prudential treatment of crypto-asset exposures. The amendments focus mainly on the composition of reserve assets for stablecoins and a due diligence requirement.

## Implementing the PA's approach to transformation and financial inclusion

### Financial inclusion:

The PA finalised its regulatory and supervisory approach to supporting financial inclusion, following the release of National Treasury's Financial Inclusion Policy Framework titled 'An Inclusive Financial Sector for All'.

### Transformation:

The PA monitors insurers' adherence to their transformation plans. It has also engaged banks on their commitments and progress made under the Financial Sector Charter Code.

## Enhancing anti-money laundering and combating the financing of terrorism (AML/CFT) supervision and implementing the FATF Mutual Evaluation recommendations

Following the greylisting of South Africa, the FATF JG issued an action plan requiring various stakeholders to address specific deficiencies. One outstanding action item within the PA's ambit is ensuring that supervised entities that are found to be non-compliant with the Financial Intelligence Centre Act 38 of 2001 (FIC Act) are issued with proportionate, dissuasive and effective sanctions.

The PA has processed several enforcement matters relating to FIC Act non-compliance, which have been presented to the Prudential Authority Regulatory Action Committee (PARAC) for final decision-making. Additionally, the PA monitors the progress of remedial action taken by banks and life insurers over the financial year to ensure that the entities are demonstrating a change in compliance behaviour.

Feedback from the FATF's regional JG responsible for reviewing and analysing progress made has been largely positive, indicating that the actions undertaken are sustainable.



## The PA funding model

The SARB has been funding the PA from its resources since the PA's establishment in 2018. For the financial year under review, the PA implemented various pieces of legislation related to the collection of levies to fund its operations. The funding model of the PA is based on the principle of cost recovery and the PA only collects levies to run its operations effectively.

The PA issued assessment notices to all supervised entities, setting out the levy amount and the due date for payment. This was the first time that the PA collected levies from the industry. Even with the levies, the SARB will continue to fund an estimated 37% of the PA operations, while industry levies will fund the remaining balance.

In preparation for the 2024/25 financial year, the PA published its budget and other relevant documents for industry consultations in December 2023, marking the first time such action had been taken. The PA is in the process of finalising its fee proposals for the 2024/25 financial year. Once the PA fee has been finalised, all other fee instruments will be repealed and replaced with a single PA Fees Determination.

## Johannesburg Interbank Average Rate and South African Rand Overnight Index Average Rate

The Johannesburg Interbank Average Rate (Jibar) is being replaced by the South African Rand Overnight Index Average Rate (ZARONIA). The smooth transition from Jibar to ZARONIA is crucial for South Africa's financial markets, with over R46 trillion in various financial instruments still referencing Jibar.

Surveys conducted by the PA and the SARB's FMD in 2023 showed this significant Jibar exposure, particularly in derivatives (93% of total exposure), with the three-month Jibar being the most common referenced rate. The surveys also indicated a need for better communication and definitive timelines for the transition to ZARONIA.

For 2024, a priority is to ensure that major clearing houses can process ZARONIA-based derivatives efficiently. The MPG has endorsed market conventions for ZARONIA-linked products and is working to align market infrastructure with the new benchmark. The SARB is also publishing additional ZARONIA indices.

## The PA's communication with industry

### Annual industry engagements

Regular industry engagements offer a way for the PA to interact with senior executives from regulated entities; officials from its sister regulator, the FSCA; and representatives from industry bodies and auditing firms. Four engagement sessions were held during February and March 2024, bringing together over 600 people. Key issues included a progress update on the FATF greylisting action items, risks related to digitalisation, climate-related risks as well as governance trends. The PA also shared its observations on the outcomes of the two flavour-of-the-year topics for 2023.

The PA also published four newsletters focusing its work, new and upcoming activities, stakeholder engagements as well as local and global trends.





## Governance structure

### PRUDENTIAL COMMITTEE

#### Chairperson

Governor of the SARB

#### Members

**DGs, with one of the DGs also being the CEO of the PA**

**Standing invitees:** The four PA HoDs and the Head: Financial Stability Department (FinStab)

The FSR Act prescribes the governance structure, including the PruCo, resources, financial management and reporting obligations of the PA.

The PruCo met 11 times and held a strategy session for the 2023/24 financial year.

#### Functions

The PruCo provides oversight on the management and administration of the PA. Among other key activities conducted during the reporting year, the committee:

- made the Prudential Standard RA01: Stays and Resolution Moratoria, which became effective on 1 June 2023;
- made the Prudential Standard RA02: Transfer of Assets and Liabilities of a Designated Institution in Resolution, which became effective on 1 June 2023;
- approved the proposed amendments to the CBA for inclusion in the Omnibus Bill that was prepared by National Treasury;
- approved the amended Joint Standard 2 of 2020 through Joint Standard Amendment 1 of 2023 and the making of the standard in respect of margin requirements for non-centrally cleared OTC derivative transactions, which was done in terms of section 42(b)(vi) of the FSR Act;
- approved the draft Joint Standard on Outsourcing and accompanying documents for submission by the Minister of Finance to Parliament;
- Approved, for public consultation, draft 2 of the proposed amendments to the Regulations, addressing the standardised approach for credit risk, internal ratings-based approaches to credit risk, revised operational risk framework, revised leverage ratio framework and the output floor;
- approved for public consultation the amendments to the Commercial Paper Exemption Notice 1994 and accompanying documents;
- approved the development of the Joint Standard: IT Governance and Risk Management and accompanying documents, which standard is expected to come into effect in 12 months' time from the date of publication;
- approved for public consultation the draft Prudential Standard on Market Risk and the draft Prudential Standard on Credit Valuation Adjustment;
- approved for public consultation the draft Joint Standard: Criteria applicable to an external central counterparty or external trade repository;
- approved for public consultation the draft Prudential Standard on Flac Instrument Requirements for designated institutions; and
- approved for public consultation the proposed PA budget and levies documents for the 2024/25 financial year.



A photograph showing a person's hand holding a black contactless payment device over a white coffee cup on a saucer. The background is a blurred cafe setting with a vase of green flowers and a white chair.

## Transforming payments

The importance of the NPS to the country's financial system and the greater economy places a key responsibility on the SARB to keep abreast of global payment system developments.

As the custodian of the NPS, the SARB must react in a timely and sustainable manner to meet the needs of the public and enable safe, fast, accessible, convenient and affordable payment services. To meet current and future needs, the SARB continues to implement its objectives set out in the National Payment System Framework and Strategy Vision 2025.

### Payments ecosystem modernisation

In 2023, the SARB conducted an extensive review of the current payment system environment, including a scan of the global payment system landscape. As a result, it established the Payments Ecosystem Modernisation (PEM) programme with the aim to modernise and improve South Africa's payments infrastructure.

The PEM is one of the most significant strategic interventions in the payments ecosystem since the introduction of the SAMOS system and the enactment of the NPS Act nearly 30 years ago.

The programme includes the establishment of a centralised public payments utility that will form the cornerstone of this structural reform of the payments ecosystem. It will incorporate among other things a renewed RTGS system as well as better fast payment system (FPS) capabilities. It will also include enablers such as the development of a digital financial identity, an electronic Know-Your-Customer (KYC) registry, centralised business intelligence and fraud management capabilities geared to meet the demands of the financial system.

## Digital Payments Roadmap

The SARB has developed a *Digital Payments Roadmap* (*Roadmap*) that identifies obstacles, barriers and challenges that slow down the adoption and use of digital payments. The *Roadmap* presents a multi-disciplinary and stakeholder action plan to address these obstacles and promote the inclusivity, effectiveness and sustainability of digital payments. The *Roadmap* supports Vision 2025 and focuses on the domestic payments ecosystem. It does not extend to cross-border payments. The *Roadmap* was published in April 2024.<sup>8</sup>

## Understanding payments behaviour

During 2023, the SARB initiated its inaugural Payments Study (study) to gain insights into consumer preferences and their adoption and use of the different available payment methods and instruments. The study was two-pronged – the first part assessed the use of payment instruments and consumer behaviour in the NPS based on payments data collected and maintained by the SARB. The second consisted of data collected through the implementation of a unique nationwide consumer survey, namely the Survey of Consumer Payment Choice (SCPC) as well as data collected through a Diary of Consumer Payment Choice (DCPC), a process where identified consumers had to keep payment diaries over a fixed period. The study has generated authoritative information and insights that will, over time, inform the development and maintenance of public policies. The overall findings of the study will be made public during 2024.

### Looking *ahead*

#### The future vision of the NPS

Vision 2025 was published in 2018 as a multi-year strategy aimed at ensuring that the NPS meets the key policy objectives of inclusion, efficiency, safety and integrity. The strategy is supported by an action plan consisting of identified initiatives which are likely to continue well past 2025. While some initiatives have been implemented, others are still in progress. Several initiatives are dependent on amendments to the NPS Act, while others are dependent on what can be achieved through the newly constituted PEM programme. We are developing another multi-year vision and related strategies and will continue collaborating with and leveraging the capabilities of the wider payments community.

8. See Digital Payments Roadmap: Towards inclusive, accessible, effective and sustainable digital payments in South Africa: <https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight-and-supervision/Digital%20Payments%20Roadmap.pdf>



# Embracing innovation

Innovation in financial technology (fintech) continues to impact the financial system in South Africa. AI, including generative AI and machine learning (ML), distributed ledger technology (DLT), application programming interfaces (APIs) and cloud computing continue to accelerate the digitalisation of financial services and products, transforming how consumers make payments and access financial products or services.

For the period under review, the Fintech Unit continued to develop insights into fintech trends, experiment with new technologies and contribute to the advancement of knowledge in the fintech space.

## Gaining deeper practical insights

The Fintech Unit continues to support the IFWG and the IFWG's Innovation Hub. The Innovation Hub has three units, namely the Regulatory Guidance Unit (RGU), the Regulatory Sandbox (RSB) and the Innovation Accelerator.

The Fintech Unit has been creating space for experimentation in a controlled environment, where innovative solutions can be tested against regulatory parameters. The RSB has two firms active in the sandbox that are testing (i) whether the regulatory framework should be amended to enable bulk, low-value payments to international merchants without undermining South Africa's exchange control framework; and (ii) whether financial services providers will be able to advance credit to individuals based on alternative data.

## Areas of focus

### Crypto assets

The SARB continues to support steps taken by the FSCA and the Financial Intelligence Centre (FIC) to regulate crypto assets. The increasing popularity of so-called 'stablecoins' as a particular type of crypto asset merits heightened regulatory scrutiny. Even though these so-called stablecoins are a type of crypto asset, the Fintech Unit through the IFWG's Crypto Assets Regulatory Working Group (CAR WG) continues its analytical work to inform the appropriate policy and regulatory response to stablecoins.

### Financial markets innovation

Project Khokha 2 (PK2) explored tokenisation in financial markets – or the representation of assets such as securities and payments instruments on DLT – and its impact on the securities trading, clearing and settlement life cycle in South Africa. PK2 saw the issuing of SARB debenture tokens, enabling project participants to buy the tokenised debentures in the primary market using a wholesale central bank digital currency (wCBDC, i.e. tokenised central bank money) and a wholesale settlement token (tokenised commercial bank money) in the secondary market. The main project was completed with the launch of the project report during April 2022.

Further technical work was done through a sub-project called Project Khokha 2.x, where the participants were able to build their own applications on the PK2 infrastructure through four technical proofs of concept (PoCs). The PoCs explored a cross-border stablecoin, a domestic banking industry stablecoin, a trade finance platform and an asset tokenisation platform.

### Open finance

The IFWG's Open Finance Integration Working Group (OPI WG) has continued its research and analysis to support a regulatory framework for open finance. This includes developing API standards and regulatory frameworks.

## Looking ahead

### The impact of AI in financial services

The emergence of generative AI models such as the multimodal image and text understanding AI model ChatGPT-4 has heightened discussions of its impact on the financial sector. The SARB participates in local and international forums to gain insights into the latest AI applications, their risks and their impact on the regulatory and supervisory landscape.



# People matters

To achieve its price and financial stability mandates the SARB must ensure that it attracts and retains capable and skilled employees. To this end, the SARB's people strategy is geared towards building an engaged and resilient workforce, committed to delivering excellence in its service to the people of South Africa.

## People strategy – performance highlights

A key highlight for the year has been the implementation of a new cloud-based solution to simplify and digitalise human resources processes. Phase one, which was implemented on 1 November 2023, included:

**modernising back-office systems** and capabilities; and **enhancing operational efficiency** by improving staff-assisted and self-service functions.

The final phase of the cloud solution kicked off on 1 March 2024, with full implementation envisaged by 1 September 2025.



## Other performance highlights include:

### In driving the employee value proposition, the SARB

- was awarded the Employer of Choice in the Public Sector and Best Internship/Work Experience by the SA Graduate Employers Association; and
- successfully hosted the first Careers Day, providing career guidance for its under-35s staff cohort.

### Embedding a workforce plan

- The SARB implemented programmes focused on core and emerging critical skills needs such as data science and ML capabilities.
- The Climate Change Skills Hub hosted in-person sessions quarterly.
- Other programmes such as data fluency, monetary policy and understanding CBDC are ongoing.
- Central banking masterclasses to ensure the continuity of institutional knowledge management and retention of critical skills in line with the Strategic Workforce Planning (SWP) of the SARB are in the works.

### Embedding the 'SARB Way of Work' programme in response to hybrid working and digital advances

- socialised the hybrid work principles across the organisation via a host of communications activities including webinars to empower leaders and employees to work and lead effectively; and
- rolled out hybrid working practices to further embed the hybrid principles in a practical way.

### Enhancing employee engagement

- The 2023 annual EES revealed high levels of stress among staff. SARB-wide action plans were implemented such as webinars and leadership development programmes, designed and delivered to address employee experience challenges emanating from the EES.
- Departments and cash centres have developed action plans to address areas of improvement in their own environments.

### Creating a diverse and inclusive workplace

- The SARB completed the third phase of its D&I programme which focuses on generational diversity; racial, ethnic and cultural diversity; gender diversity; sexual orientation; and sexual harassment.
- The Women@SARB programme aimed at reaching women at various career levels to strengthen their personal skills and help them to exert greater influence in their operational environments was launched.
- The D&I accountability framework has been incorporated into the SARB's performance scorecard.



## Employee well-being

The SARB's occupational health and wellness team proactively supported staff, resulting in an improvement in health status and financial protection.

### 2023/24 | Performance highlights

**Improved collaboration with external health partners** through awareness campaigns about mental health and non-communicable diseases, including but not limited to diabetes, hypertension and the different types of cancer.

**A renewed focus on medical surveillance** such as identifying early departures from normal health and advising on the management and prevention of long-lasting ill-health has yielded positive results.

**Travel health advisory services** provide advice and vaccine administration to employees travelling abroad.

**Talent management and workforce planning** looks at developing a responsive and agile workforce in an ever-changing work environment.

**Seven postgraduates participated** in the Graduate Development Programme. Graduates attended training on central banking and personal and professional skills.

Time to fill critical roles  
**140 days**  
(target: < 90 days)  
2022/23: 109 days

#### Critical roles turnover rate



#### Overall employee turnover rate



#### Regrettable employee turnover



#### Coverage ratio for critical roles



## Management and leadership training

Various management and leadership development programmes (MLDPs) focusing on embedding the leadership competency framework 'Leading the SARB Way' took place.

More than  
**180 management and senior leaders**  
attended the 2023  
Leadership Conference



### 10 management and leadership development initiatives

MLDP rolled out

**537 employees**  
participated, with an overall  
satisfaction rating of

**90%**

## Learning and development

The SARB Academy runs customised programmes that deliver impactful learning to enhance performance as well as for personal transformation. Although some training sessions are hosted in external venues, cost savings have been achieved due to technology and self-learning platforms.

### 2023/24 | Performance highlights

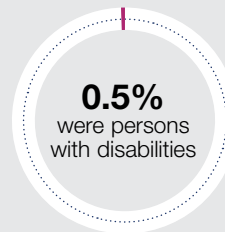
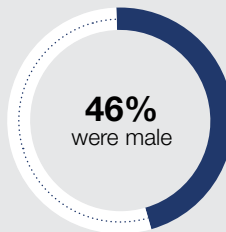
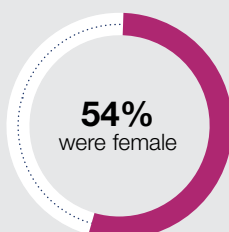
**2 681**

**permanent employees and contractors (95% of total workforce) attended training**

(2022/23: 2 437 employees – 99% of the total workforce)

(2021/22: 2 637 employees – 98% of the total workforce)

**Of the employees who received training:**



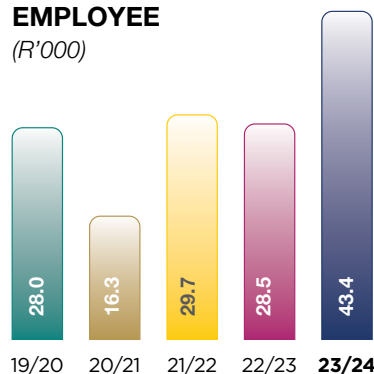
**The total training spend was: R116.3 million, or 5.7% of the total payroll**

(2022/23: R69.7 million – 3.5% of the total payroll)

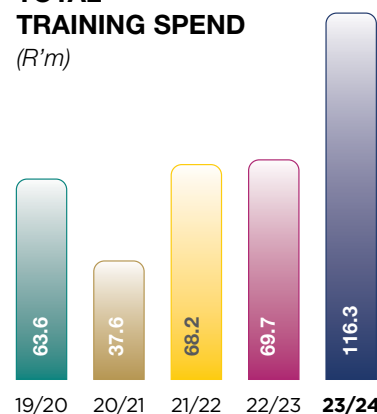
(2021/22: R68.2 million – 3% of the total payroll)

**Average spend per employee: R43 400**

**AVERAGE TRAINING SPEND PER EMPLOYEE (R'000)**



**TOTAL TRAINING SPEND (R'm)**



## SARB retirement fund

The SARB Retirement Fund is a single scheme that provides a full spectrum of pension benefits to the employees of the SARB, SABN and South African Mint.

At 31 March 2024, the SARB Retirement Fund had 3 341 contributing members, 173 preserved members, 1 337 life annuitants, (126 life annuities transferred from the former SARB Pension Fund and now ring-fenced within the SARB Retirement Fund), 78 living annuitants, and deferred retirees (members who have retired from the Group but not from the fund). The fund's total liability amounted to R9.82 billion at year-end.

Statutory actuarial valuations are performed every three years and interim actuarial valuations annually. The last statutory actuarial valuation was as at 31 March 2021 and found the fund's financial position to be sound. The next statutory actuarial valuation will be based on the audited financial statements for the year ended 31 March 2024. This statutory valuation is expected to be finalised during the 2024/25 financial year. More details regarding the fund's activities will be available with the release of the fund's annual report for the year ending 31 March 2024, expected in November 2024.

The Board of Trustees actively monitors changes in the retirement industry, including any relevant legislative changes. The Board delegates several of its functions to subcommittees that are governed in line with section 7D (2)(a) of the Pension Funds Act 24

of 1956 (Pension Funds Act). Each subcommittee has its terms of reference which sets out its scope of work. Members are kept informed using roadshows, circulars and fund booklets. The fund's operations are regularly reviewed to ensure compliance with legislative changes and leading retirement fund practice.

### Looking ahead

The Human Resources Department seeks to enhance organisational readiness, efficiency and effectiveness through continued employee engagement. The department is continuously working to strengthen the organisational culture and remove barriers to high performance as well as advance our digital learning strategy. Aligning talent and performance management with reward processes remains a focus, as are our efforts to balance traditional ways of working with more collaborative and empowering new technologies. With the rollout of the final phase of the HCM cloud solution we continue to simplify human resources processes.



## Enhancing employee engagement

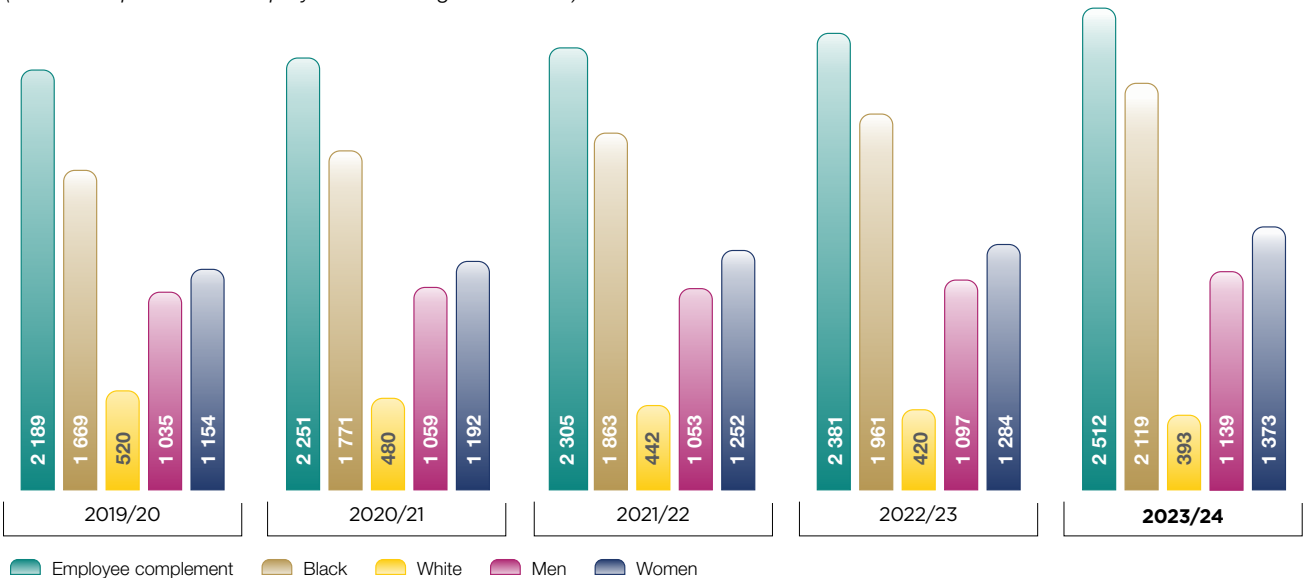
The SARB encourages open and transparent communication, receiving employee feedback through several channels such as the annual EES, pulse surveys and both on- and off-boarding interviews.

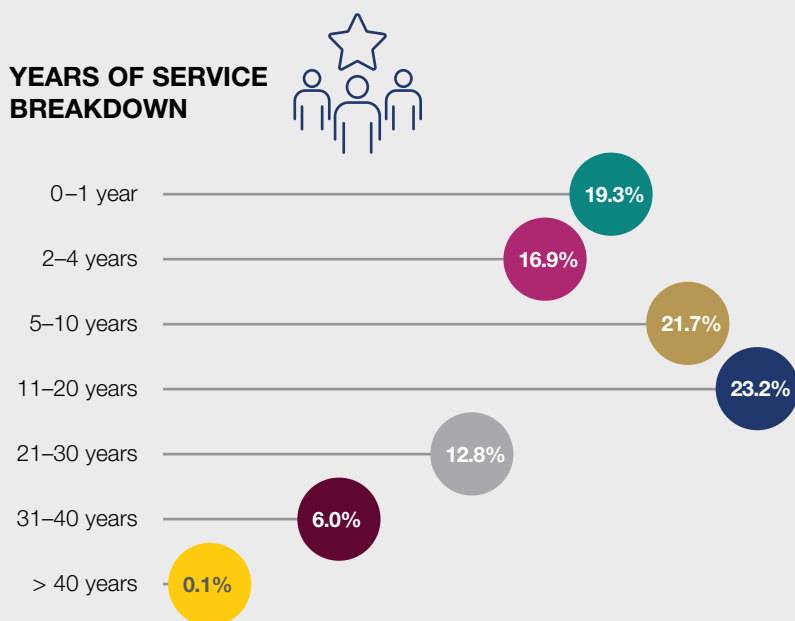
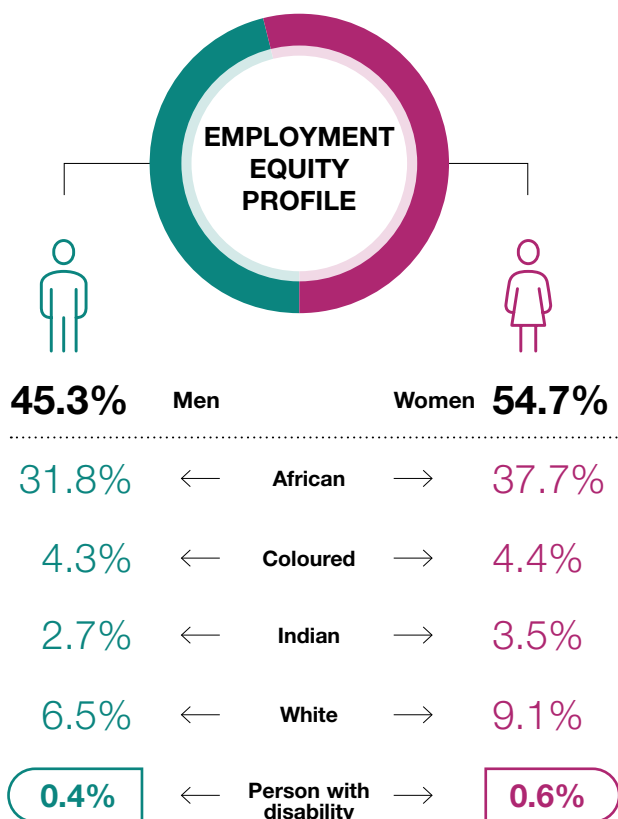
A pulse survey on meetings in the SARB was conducted with the aim to develop appropriate interventions to mitigate meeting-overload which has led to fatigue and stress. Other areas of improvement from the 2023 EES were addressed through webinars, workshops and targeted campaigns. The employee listening strategy will continue to strengthen the desired culture and enable a purposeful journey in the SARB.

## Employee statistics

### HEADCOUNT OVER FIVE YEARS

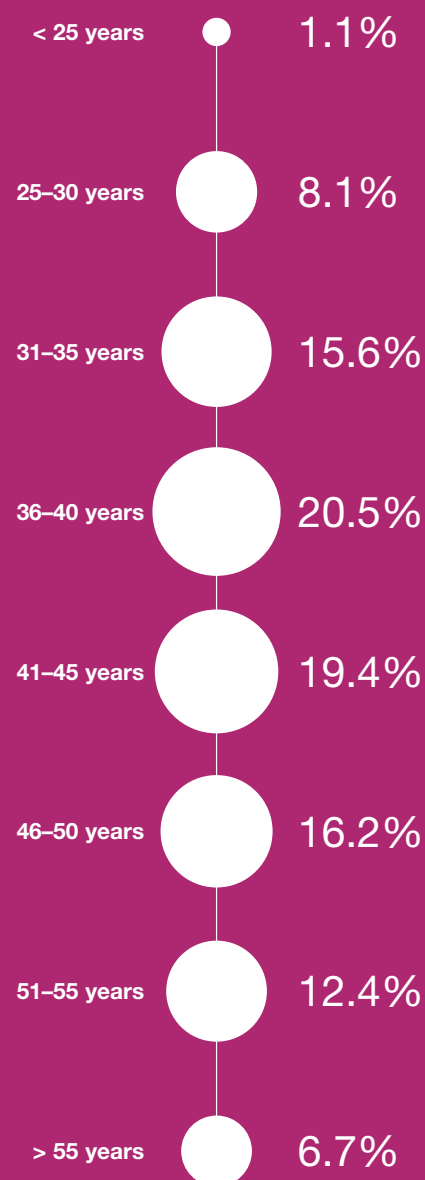
(number of permanent employees excluding contractors)





**Average years of service: 11 years**  
 2022/23: 11 years

## AGE GROUP BREAKDOWN



**Average age 42 years**  
 2022/23: 42 years



## Information and technology

Information remains the foundation for business management and timely decisions. Changes in how we use and process information more effectively are driven by the increase in the amount of data available and the rapid pace of technological advancement.

Maturing information management and investment in appropriate technology solutions are increasingly integrated into the SARB's business strategies and objectives. As technology advances, so does our need for greater agility while maintaining sound governance.

The I&T strategy is designed to be adaptive so that it continues to align and support the strategy of the SARB. Performance is measured against the I&T scorecard, focusing on:

the delivery of large transformational programmes that support the SARB's SFAs and EFAs, together with the execution of tactical projects and enhancement initiatives;

process maturity with effective governance, risk and compliance management; and

key system stability, performance availability and continuity measures.

## The performance highlights for 2023/24 against key objectives are:

01

### To successfully deliver the SARB's Digital Transformation strategy

#### Execution of strategic projects

Strategic business transformation projects, made possible through I&T, were delivered on in business areas including the PA, financial surveillance, national cash management and human capital management.

02

### To secure, enable, sustain and support business systems and processes

#### Availability of mission-critical business applications

- Proactive maintenance and monitoring have improved the stability of mission-critical business applications, achieving an uptime of 99.89%.
- The IT systems' resilience was enhanced through the execution of infrastructure initiatives, particularly the redesign of our data centres, network modernisation and a new storage and mainframe infrastructure.
- IT System Recovery tests were successfully completed, providing assurance in restoring systems within required time periods.

03

### To develop the SARB's data assets through effectively embedding information management

- Information management and governance have improved significantly in the core departments with the implementation of industry-standard data taxonomies in the collection and storage of information.
- The building of data assets to support business functions were improved through transformational programmes.
- The first phase of a data virtualisation platform was implemented to allow multiple departments to access each other's data.
- The SARB's ongoing work to digitise its physical records continues, with the set targets met for 2023/24.

04

### I&T governance and controls

- The alignment to *King IV™* confirmed the adequacy of our executive structures for the governance and management of I&T.
- The overall I&T control environment remains adequate and effective, with a continued focus on training and awareness.

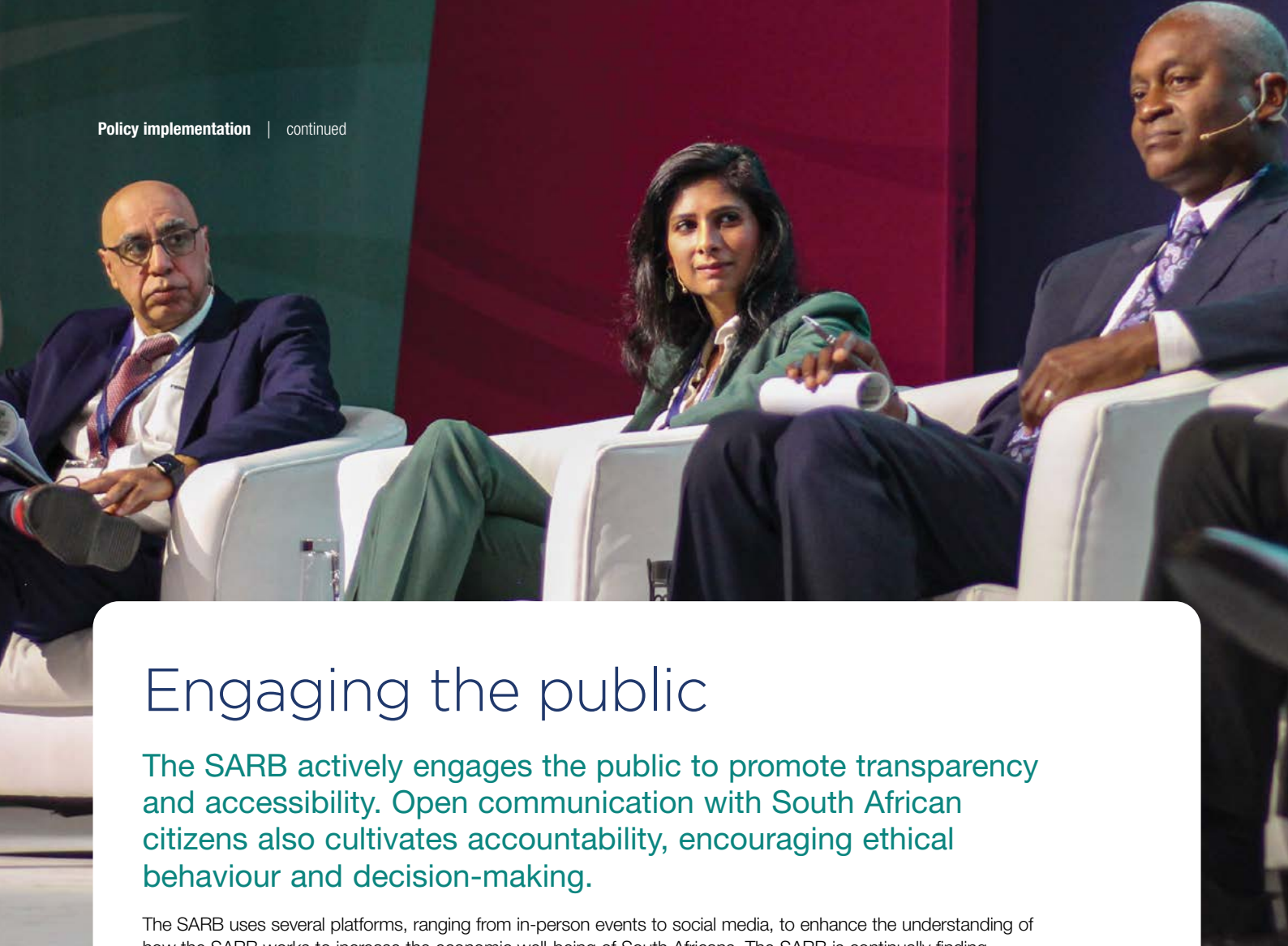
05

### To continuously future-proof the business workforce

- The capability of the cyber team is being strengthened to build local and regional resilience to cyber incidents.
- The strategy and overall security approach incorporates lessons from potential risks, improving our operating model and responsiveness.

## Looking *ahead*

The 2025 I&T strategy will be reviewed. Looking to 2030, crisis resilient network connectivity across the financial sector will be a key focus as well as advanced cybersecurity resilience. Governance, risk and compliance will be strengthened through the introduction of adaptive governance for business-led cloud solutions. The execution of transformational business solutions and strategic initiatives will continue, as will the focus on skills attraction and development.



## Engaging the public

**The SARB actively engages the public to promote transparency and accessibility. Open communication with South African citizens also cultivates accountability, encouraging ethical behaviour and decision-making.**

The SARB uses several platforms, ranging from in-person events to social media, to enhance the understanding of how the SARB works to increase the economic well-being of South Africans. The SARB is continually finding innovative ways to expand its reach and engage with new audiences as well as maintain relationships with its diverse range of stakeholders.

### Internal stakeholders – SARB employees

The SARB's internal stakeholders are an integral part of effective stakeholder management. Engaging with employees ensures that teams at all levels of the organisation understand and are aligned with the SARB's strategic objectives. Engaging with internal stakeholders offers feedback and insight, which in turn allow for improved processes. Having effective internal communication channels increases motivation, boosts morale and fosters a positive work environment.

### The general public

The SARB carries a constitutional mandate and therefore it is necessary for it to position itself as a trustworthy institution. Open and transparent communication fosters trust and credibility with the public. The general public is the SARB's broadest stakeholder group and it therefore engages them regularly through a number of public outreach programmes.

The SARB's Corporate Reputation Survey is conducted every two years and the sixth instalment – the survey for 2023/24 – found that there was an increase in awareness of the SARB but a decline in the knowledge of its roles and functions. Trust and advocacy – which give a view of people's trust in the organisation and the extent to which they would speak positively about it – have also declined among the general public. Overall satisfaction with the SARB has decreased from the previous 61% to the current 58%, while satisfaction with the SARB leadership fell from 58% to 54%.

### Established stakeholders

Established stakeholders scored the SARB high on all reputational metrics, such as familiarity, favourability, trust and advocacy. Favourability and trust showed some improvement in the survey, while satisfaction with the SARB leadership among established stakeholders remains high.

Several engagements take place throughout the year to develop and maintain this strategic stakeholder relationship. Regularly engaging with stakeholders allows for constructive feedback and innovative solutions that have the potential to strengthen the SARB's programmes.



## Briefings to Parliament

The SARB is accountable to Parliament and is required to present the SARB and PA annual reports every year to the Parliamentary SCOF. These presentations address, among other things, the overall performance of the organisation, the SARB's mandate and functions, the macroeconomic overview and outlook and financial stability as well as provide highlights from each of the annual reports. The SARB also tables its *FSR* and *MPR* publication twice a year.

## Monetary Policy Forum

The SARB releases its biannual *MPR* at events known as the MPFs. The main aim of the *MPR* is to broaden the public's understanding of monetary policy as well as to provide an overview of key domestic and international economic developments.

Together, the two 2023 MPFs, held on 25 April and 17 October, attracted

# 255 attendees

(2022/23: 703)

These events are also streamed on the SARB's social media platforms to increase their reach and accessibility to the public.

## Economic Roundtable

Economic Roundtables provide market economists, industry experts, research analysts, asset managers and policymakers an opportunity to exchange ideas on topical issues impacting the economy. Guest speakers are invited to present on their area of expertise, which is followed by a general discussion of the domestic and international economy.

## Talk to the SARB Forums

Talk to the SARB Forums are held in all nine provinces and are hosted by senior SARB officials with the aim of developing a better understanding of monetary policy and the role of the SARB.

More than **770**

# delegates attended

the Talk to SARB Forums during the period under review.

## Financial Stability Forum

The SARB is mandated by the FSR Act to assess the stability of the South African financial system every six months and communicate its assessment by releasing the *FSR*.

The Financial Stability Forum (FSF) is the platform used to release the *FSR* and is chaired by the Governor, with DGs and senior officials in attendance.

A total of

# 309 guests attended

the FSFs in the 2023/24 review period.

## International and regional engagements

South Africa assumed the BRICS Presidency in January 2023 under the theme, 'BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development and Inclusive Multilateralism'. The SARB and National Treasury facilitated the work of the BRICS Finance Track.

### The central banks' priorities in 2023 included:

- the Contingent Reserve Arrangement (CRA);
- the BRICS Bond Fund (BBF); and
- cooperation on other key topics.

South Africa concluded the sixth CRA test run, having been the first of the BRICS countries to initiate this exercise in 2018. These test runs ensure that BRICS countries can access the CRA in the event of an emergency and enhance their access to the global financial safety net.

The SARB also facilitated cooperation in areas such as climate finance, cross-border payments and cybercrime.

A report titled 'Bridging climate data gaps through technology' was also published.

The BRICS Payment Task Force shared experiences revealing that members were at varying levels of implementation of the three building blocks from the Cross-Border Payments Roadmap of the G20.

The SARB is the Secretariat of the Committee of Central Bank Governors in SADC (CCBG) which the Governor chairs. A three-year strategy was developed to enhance cooperation in areas such as climate change, fintechs, financial stability and banking supervision, financial markets and macroeconomic policy. Similarly a new three-year strategy for the CMA was developed.

In 2024, South Africa takes on the responsibility of the G20 Presidency. The SARB, together with National Treasury, is gearing up to co-chair the Finance Track from December 2023 for a 12-month period. The SARB will focus on central bank-related issues.

# Investing in society

As a caring corporate citizen, the SARB is committed to uplifting communities and improving their quality of life. Through its CSI programme, the SARB serves South Africans from disadvantaged communities, promotes knowledge and understanding of monetary policy and improves and develops human capital in the fields of monetary policy, financial stability and economic journalism.

The SARB's CSI programme is aligned to both the SARB's mandate and strategic objectives.

## MPC Schools Challenge

The MPC Schools Challenge is a national competition modelled on similar initiatives by other central banks. The competition targets Grade 12 economics and mathematics learners, offering them an opportunity to expand their understanding of monetary policy and economics. Finalist teams receive cash prizes as do their schools. Winning team members receive SARB bursaries depending on their matric results.

Launched in 2012 in Gauteng, the competition has been rolled out to all provinces since 2018. The competition is run in partnership with the Department of Basic Education. In 2023, the competition was extended to include independent schools and now reaches hundreds of matric learners every year.

During the year in review, learners, educators and education officials from public and private schools attended the in-person briefing sessions across the country. One was hosted virtually to cater for schools in far-flung areas. Collectively, the briefing sessions attracted 2 105 attendees.

## Employee volunteerism

Through its Employee Volunteerism (EV) programme, the SARB has over a number of years provided infrastructure support and maintenance as well as monetary donations to schools for learners with special needs.

The SARB's EV programme, which is linked to Mandela Day, is run in all provinces. This programme allows SARB staff to play an active role in the identified schools on the Saturday closest to 18 July – the birthday of former President Nelson Mandela.

The EV programme was paused in 2020 and 2021 due to the COVID-19 restrictions and restarted in 2022; however, employees did not participate immediately as an ongoing COVID-19 precaution. Instead, the SARB provided infrastructure support and maintenance to the identified schools.

Normal EV activities resumed on 22 July 2023 and a total of 188 staff and their family members participated. The 2023 EV activities took place in areas where the SARB has physical operations, namely Pretoria, Johannesburg, Durban and Cape Town.

The focus was on schools for learners with intellectual disabilities.

## 2023/24 CSI spend

### University of Pretoria

(Chair in Monetary Economics)

**R3 200 000**

2022/23: R3 200 000

### University of Cape Town

(Financial Stability Chair)

**R3 240 000**

2022/23: R3 240 000

### External bursaries

**R22 000 000**

2022/23: R18 400 000

### Rhodes University/ SARB Centre

for Economic Journalism

**R2 300 000**

2022/23: R2 134 000

### Wits

(Journalism Chair)

**R1 200 000**

2022/23: R1 200 000

### Master's students

(Data Science)

**R3 400 000**

2022/23: R1 600 000

### MPC Schools Challenge

**R5 800 000**

2022/23: R4 100 000

### Arts and culture bursary

-

2022/23: R114 000

### Employee volunteerism

**R3 400 000**

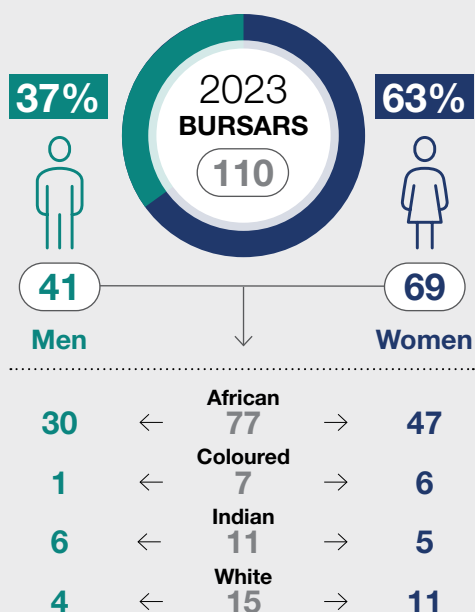
2022/23: R3 000 000

## External bursary programme

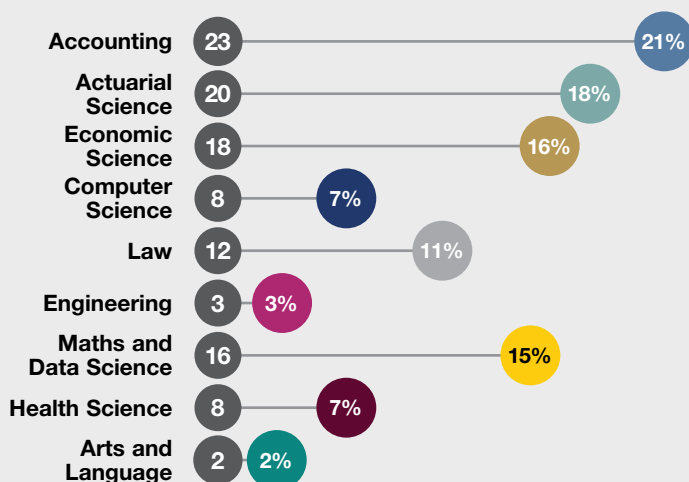
The SARB bursary caters for students at tertiary institutions from first-year level to studying for postgraduate qualifications and covers registration and tuition fees, a stipend as well as the cost of books and relevant study materials.

Since its inception in 2012, the SARB's bursary scheme has provided funding opportunities to 740 qualifying South Africans from disadvantaged backgrounds.

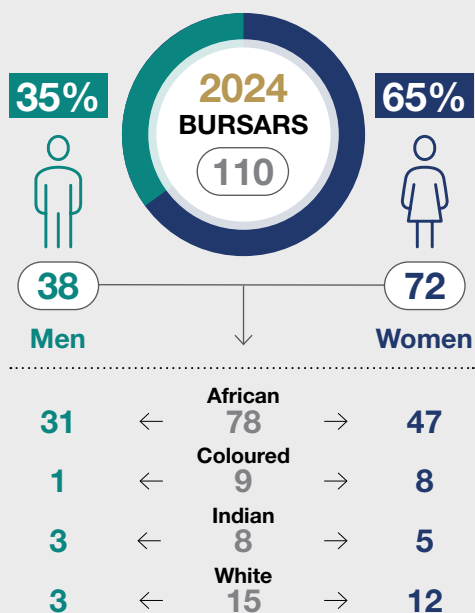
In 2023, the SARB sponsored 110 students, including 63 continuing bursars, 35 first-year bursars and 12 students studying towards their Master's in Data Science. Ninety-five (86%) of them were from previously disadvantaged backgrounds and 69 (or 63%) were female, as illustrated below.



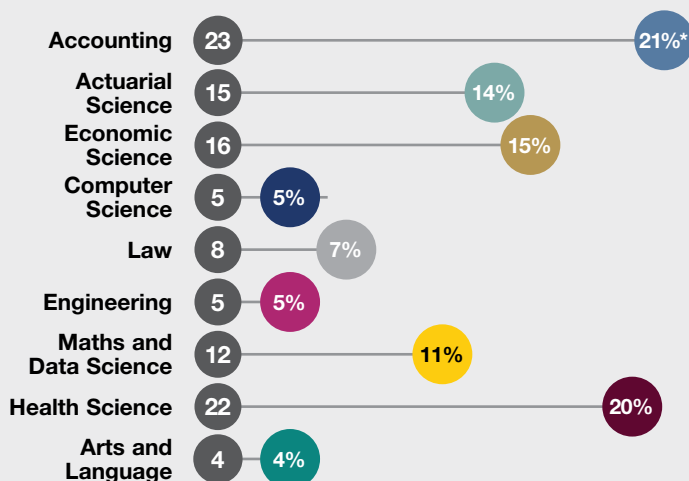
### 2023 BURSARS' FIELDS OF STUDY



In 2024, the SARB is sponsoring 110 students, including 35 first-years, 2 arts scholarships and 9 students studying towards their Master's in Data Science. One hundred (or 89%) are from previously disadvantaged backgrounds and 73 (or 65%) are female, as illustrated below.



### 2024 BURSARS' FIELDS OF STUDY



\* Percentages may not add up to 100 due to rounding.

### Tracking of former SARB bursars

All SARB bursars who were final-year students in 2023 passed their exams and will be graduating formally at their respective institutions in 2024.



## University Chairs

The SARB has established partnerships with four tertiary institutions to develop research programmes and support Master's students and those studying towards their PhDs. A Chair is appointed at each partner institution and the SARB provides financial support to programmes at these institutions, focusing on monetary policy and financial stability research as well as financial and economic journalism. Under the Chairs, a number of previously disadvantaged postdoctoral students were supervised and graduated.



### University of Pretoria Chair in Monetary Economics

The SARB has been funding and supporting the Chair in Monetary Economics at the UP for more than 11 years to develop human capital in the field of monetary economics.

The SARB Chair and his team continuously produce quality research that is both academically rigorous and relevant. A significant number of PhD, Master's and Honours students are being supervised, placing economic policy and monetary policy at the centre of the UP academic curriculum. Collaboration with the SARB research department is wide and organic. Seven publications and working papers were produced during the financial year, with five research papers presented at international conferences. A further four papers will be published during 2024.

In April 2024, the new SARB-UP MacroLab will be completed. It will be a shared space where UP and SARB researchers can work, exchange ideas and deliver on its research agenda. Dr Tumisang Loate, who was previously funded by the SARB through the Chair, has opted to remain an academic and has been appointed Senior Lecturer in the economics department and Lead Researcher in the MacroLab. Eight PhD students are currently being supervised by the Chair (four African, one White, one Coloured, one Indian and one non-South African).

### University of Cape Town Financial Stability Chair

The SARB Research Chair in Financial Stability Studies was established in September 2019 at UCT. The Chair was established to support Master's and PhD students' research on managing regulatory complexity, financial interconnectedness, computational models and the regulation of block chain technologies and crypto assets. In 2022, the Chair holder Associate Professor Co-Pierre George left UCT. The partnership contract expired in 2023 and was not renewed.

### Rhodes University Chair in Economic and Financial Journalism

The SARB sponsors the Centre for Economic Journalism at Rhodes University to help improve the quality of economic and financial journalism in South Africa and Africa. In 2023, nine SARB scholarships were allocated through this Chair to six black African males and three females. Four of them were studying towards a Master's degree, with five registered for postgraduate diplomas in Economic Journalism.

### University of the Witwatersrand Journalism Chair

The Wits Centre for Journalism (WCJ) programme provides funding for postgraduate training and qualifications in financial journalism. The programme enables aspirant and experienced financial journalists to improve their working knowledge of economics and finance. The financial journalism courses help journalists to develop the technical skills needed, with an emphasis on solid reporting, writing and research skills. Financial journalism courses are offered at Master's and Honours level as well as for Certificate study, alongside a programme designed for community media.

# Purposeful procurement

The SARB's procurement strategy focuses on the timely delivery of goods and services in a manner that is fair, equitable, transparent, competitive and cost-effective – the five pillars of procurement outlined in the Constitution.

Accountability for delivery of procurement services in accordance with the procurement strategy and SARB Group Procurement and Supplier Management Policy is centralised to the SARB's Procurement Division; the PC approves all transactions above R5 million, while the GEC approves all procurement transactions above R50 million.

The PC is chaired by the COO and includes 10 senior employees with the right mix of skills to discharge its responsibilities.

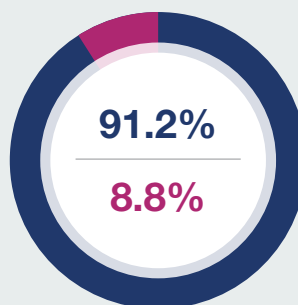
## Spending

Procurement spend with suppliers for the 2023/24 financial year was R4.7 billion excluding municipal rates and taxes, electricity and intercompany spend (as these do not follow a competitive procurement process), with the top 20 suppliers making up 60% of the total spend.

- The majority – or 91.2% – of total third-party spend was with local suppliers and 8.8% was spent with foreign suppliers.
- The split between operational expenditure and capital expenditure spend was 54% and 46% respectively.

### LOCAL SPEND

R4.3 billion

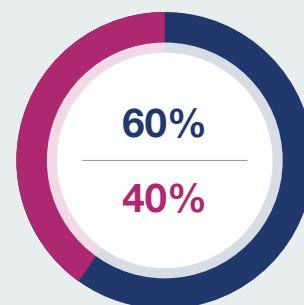


### FOREIGN SPEND

R416 million

### TOP 20 SUPPLIERS

R2.8 billion



### OTHER SUPPLIERS

R1.9 billion

Although exempt from the Public Finance Management Act 1 of 1999 (PFMA) and the Preferential Procurement Policy Framework Act 5 of 2000 (PPFPA), the SARB applies preferential procurement principles in its sourcing and procurement activities.

It has adopted specific elements of the PPFPA and has developed a three-year B-BBEE strategy to demonstrate its commitment to maintaining and improving spend with qualifying suppliers and supporting supplier development. This strategy is in its first year of implementation. Using the B-BBEE Generic Codes of Good Practice scorecard, the SARB achieved 21.6 out of a possible 27 points in terms of B-BBEE recognised spend.



**SARB'S B-BBEE score based on the Generic Codes of Good Practice scorecard**

Category of spend		Maximum points that can be achieved	SARB score achieved in the past FY
<b>B-BBEE recognised spend</b>	•→	5.0	5.0
<b>Black-owned (BO)</b> (spend with entities in which black people hold more than 51% of the exercisable voting rights and economic interest)	•→	11.0	11.0
<b>Black women-owned (BWO)</b> (spend with entities in which black women hold more than 30% of the exercisable voting rights and economic interest)	•→	4.0	4.0
<b>Qualifying small enterprise (QSE)</b> (spend with entities with revenue between R10 million and R50 million)	•→	3.0	0.5
<b>Exempted micro enterprise (EME)</b> (spend with entities with revenue <R10 million)	•→	4.0	1.1
<b>Weighted score out of 27 points</b>	•→	<b>27.0</b>	<b>21.6</b>

Strategic supplier relationship management (SRM), alongside performance management, is vital for the SARB, given that the majority of our spend resides with 34 suppliers who have been categorised as strategic partners based on the criticality of their supply to us. This is done to ensure continuous service delivery, drive cost efficiencies, mitigate risk exposure and present innovative solutions to its challenges. All dealings with suppliers are based on ethical and transparent conduct, good governance and compliance with policies and procedures.

**Number of strategic suppliers on the SRM Programme**

**34**



**Average supplier performance score (which means suppliers are delivering according to expectations)**

**70%**





# Our subsidiaries

With CODI becoming operational from 1 April 2024 and its official launch on 25 April, the SARB now has four subsidiaries. They are its two currency-producing arms – the SABN and South African Mint, CODI which manages the country's DIF, and the CPD which provides investment services.

The CODI Board is appointed in terms of the FSR Act as amended by the FSLAA, while the SARB's two currency-producing subsidiaries have each their own GEC-appointed Board. The CPD's Board comprises officials from the SARB and National Treasury who are appointed by the Minister of Finance, and it is governed by the Corporation for Public Deposits Act 46 of 1984 (CPD Act). Given its scope and risk profile, the Board alone oversees that the CPD responsibly and adequately discharges its responsibilities.



## Subsidiaries of the SARB

### CURRENCY-PRODUCING



**SOUTH  
AFRICAN MINT**

#### South African Mint Company (RF) Proprietary Limited (South African Mint)

Produces coin and coin-related products for South Africa and the export market.

##### BOARD CHAIRPERSON

**SARB Group Executive:** Currency Management, M (Mogam) Pillay

##### MANAGING DIRECTOR

L (Liziwe) Mda



**SABN**

#### South African Bank Note Company (RF) Proprietary Limited (SABN)

Produces notes for South Africa.

##### BOARD CHAIRPERSON

**SARB Group Executive:** Currency Management, M (Mogam) Pillay

##### MANAGING DIRECTOR

T (Takalani) Mafhiri

### INVESTMENT SERVICES

#### Corporation for Public Deposits

Invests call deposits from the public sector in deposits, short-term money market instruments and special Treasury bills. The CPD may also accept call deposits from other depositors, if approved by the Minister of Finance.

All funds invested with the CPD, and the related interest earned are repayable on demand.

##### BOARD CHAIRPERSON

##### Deputy Governor:

R (Rashad) Cassim

### DEPOSIT INSURANCE

#### Corporation for Deposit Insurance

Administers the Deposit Insurance Fund to give qualifying bank depositors access to up to R100 000 of their qualifying deposits in the unlikely event of their bank being placed into resolution.

##### BOARD CHAIRPERSON

##### Deputy Governor:

M (Mampho) Modise

##### CEO

S (Sabihah) Mohamed

The SARB's risk management, internal audit, company secretariat, finance and security services functions also cover the currency-producing subsidiaries, ensuring operating efficiencies and the consistent application of management approaches, policies and procedures across the SARB Group.

The CPD is accommodated at the SARB Head Office where it makes use of the SARB's accounting systems and infrastructure. The SARB's Financial Services Department (FSD) is responsible for the administration and accounting of funds under the CPD's control and manages the CPD's investment activities.



## The South African Mint Company

The South African Mint is one of the world's top exporting Mints and was the first Mint on the African continent. It introduced the world's first gold bullion coin, the Krugerrand, and in 1989 brought new minting technology to Africa with the first electroplated coins. The South African Mint is ISO 9001 (quality management), ISO 14001 (environmental management) and ISO 45001 (OHS) accredited. It is an active member of the global coin minting industry.

The South African Mint is the founding member of the Sustainability Subcommittee of the International Mint Directors Association (IMDA) and continues to participate in the Technical Committee. Following the successful launch of the new fourth decimal coin series in May 2023, the key focus for the 2023/24 financial year was on the delivery of the SARB's circulation coin order of 800 million coins. Full delivery was achieved with sufficient buffer stock throughout the year.

### The South African Mint's business units

#### CIRCULATION COINS

Manufactures and supplies legal tender coins for circulation and transactional use in the local economy and for export customers.

#### COLLECTABLES

Manufactures and sells premium precious metal products (primarily gold, silver and platinum) that cater for the collector and gift markets locally and internationally.

#### PRESTIGE BULLION

Manufactures and sells premium precious metal products (primarily gold, silver and platinum) that cater for the collector and gift markets. The South African Mint has an 80% shareholding in Prestige Bullion.

### 2023/24 Performance highlights

- The South African Mint achieved a positive financial performance despite fluctuations in commodity prices and a decline in global economic conditions. The Group achieved revenue of R3 225 million in the 2023/24 financial year (2022/23: R4 722 million). Revenue decline is largely attributable to a slowdown in Prestige Bullion's revenue, which delivered R1 815 million during the year under review (2022/23: R3 236 million).
- The SARB order was delivered in full well ahead of the financial year close.
- Collectables delivered an outstanding performance during the year under review, exceeding the sales volume budget by 160%. Coin World, the Mint's retail outlet, delivered record revenue of R75 million for collectable and bullion sales.
- The South African Mint created new product opportunities within existing Collectables ranges that were opportunistic and well-timed. Unique products such as the Oom Paul Press Privy Mark Krugerrand and individual 1/50th oz Krugerrands were created and brought to market and bolstered the Group's Collectables performance.
- The South African Mint achieved one million hours without lost-time injuries (LTIs). This is a significant improvement over the three LTIs in the prior year.
- The launch of the Leopard and Buffalo coins in the Big 5 Series II collection was completed in the year under review. The craftsmanship of these products will further showcase the creativity and technology that set the Mint apart in the market.
- The South African Mint was commissioned by the Central Bank of Eswatini to produce precious metal coins in commemoration of its 50th anniversary.

### Looking *ahead*

The South African Mint is committed to ensuring a positive balance sheet to support business continuity while driving efficiencies to meet the SARB's circulation coin demand. The management team will continue to deliver on the existing strategy, including a strong focus on governance, risk and controls.

The South African Mint will launch the Big 5 Series III collection to the market in the 2024/25 financial year. Further investment in workplace safety and employee well-being will continue as well as investments in the Mint's employer brand, culture and values.





## The South African Bank Note Company

Throughout the financial year, the SABN navigated global challenges. While the effects of the global pandemic continued, inflationary pressures and a shifting geopolitical landscape posed new obstacles. Supply chain disruptions and rising input costs impacted our operations. Amid these complexities, we focused on strategic cost management initiatives and innovative solutions.

Our resilience in these turbulent times underscores our drive to provide internationally competitive banknotes, contributing to the economic prosperity of South Africa.

During the review period the SABN continued to ensure the sustainable production of competitively priced banknotes.

The SABN maintains its commitment to excellence and integrity, evident through its sustained international standards accreditation for its Quality Management System, OHS Management System, Environmental Management and BCM, among other systems and processes.

Building upon its legacy as the first banknote-printing company in Africa accredited by the Banknote Ethics Initiative (BnEI) Accreditation Council, the SABN sustains its Level 1 accreditation, upholding a Code of Ethical Business Practice to combat corruption within the industry.

### 2023/24 | Performance highlights

- Produced 830 million banknotes for the SARB.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) is at a loss of R122 million compared to a budgeted loss of R173 million.
- Net profit before tax is at a loss of R119 million compared to a budgeted loss of R264 million. This is mainly attributed to the COVID-19 insurance claim and higher interest received.
- Achieved a medical treatment frequency rate of 0.86, entrenching a strong focus on health, safety and environmental management systems and processes.
- Implemented the apprentice programme, capability building and leadership development programmes.

### Looking *ahead*

The SABN remains focused on ensuring the availability and integrity of the currency. It remains dedicated to excellence, innovation and ethical business practices, while upholding its position as a leader in banknote printing in Africa. From an operational standpoint, the SABN will continue to implement the Asset Masterplan and periodically refresh its printing machine models to meet volume demand. The SABN continues to empower people to deliver through capability building and leadership development programmes.

