Helping financial institutions stay ahead of the curve by accelerating innovation

The rise of mobile payments and digital banking in Africa has meant that financial institutions must innovate more effectively in order to stay ahead of the curve. With increasingly informed customers, with constantly evolving needs, businesses are being forced to behave and innovate as start-ups do.

BSG has built strong Africa-wide execution experience through our banking knowledge and the successful implementations of large-scale delivery programmes across a variety of client environments.
Features

12 THE FUTURE OF BANKING IN SUB-SAHARAN AFRICA
Exploring the possibilities and challenges of the African banking landscape

18 THE RISE OF MOBILE MONEY IN AFRICA
Mobile money is unlocking opportunities throughout the continent

20 ISLAMIC BANKING SET TO BOOM
The future of Islamic banking in Africa seems bright

23 MICROFINANCE IN AFRICA
The finance landscape in Africa is shifting, offering new business models

27 MICROFINANCE FOR FINANCIAL INCLUSION
Microfinance is making credit, savings and insurance available to new markets

Regulars

03 EDITOR'S NOTE African banking under the spotlight
05 MD'S MESSAGE Africa: favoured investment destination
06 LOCAL AND INTERNATIONAL BANKING NEWS Banks more trustworthy than insurers, tactile cards and Somalil's new anti-terrorism banking laws
28 INSIGHTS Budget Speech 2015: what it means for financial services
33 SECURITY SABRiC's 2014 credit card fraud statistics
34 OPINION Options for contactless payment deployment
37 OPINION Tax-free savings accounts: preserving retirement funds
39 TECHNOLOGY Investigating Bitcoin and virtual currencies
42 CUSTOMER'S STORY Are Islamic banking products serving customer needs?
45 SMES Sizakele Majola's thriving Hillbrow apartment rentals
46 SMES Taking the temperature of the new SME Ministry
49 CHILDREN AND YOUTH StarSaver™ 2015 campaign
50 EDUCATION The need for Islamic finance education in SA
53 OPINION Mobile payments on the increase in Africa
54 OPINION Exploring the global financial outlook for 2015
56 PROFILE Catching up with FNB's Jacques Celliers
INSURANCE BENEFITS AS SPECIALISED AS YOU ARE.

As a professional, you have a set of skills that not many people have. Not everyone can do what you do – and earn what you earn. At PPS, we understand that – and our reinvented PPS Sickness and Permanent Incapacity Benefit is just as specialised as your vocation, allowing you to create your own distinct insurance package to insure your most valuable asset – yourself. After all, you are unique, and your insurance should be too.

Consult a PPS product-accredited financial advisor or visit pps.co.za/sppi for more information.
With a reported 1.13 billion people in Africa (according to the latest data), up to 80% of whom are currently unbanked, the continent offers massive growth potential for the financial services industry. Yet, it’s clear that traditional banking products are not going to be the answer to many Africans’ financial services needs, particularly in rural areas where infrastructure is at best scarce and more often than not, non-existent.

This explains the explosion of mobile banking in Africa, and the success of non-bank players who have introduced disruptive technology to meet the specific needs of African markets. In this edition, we investigate developments on the continent, ranging from the microfinance boom to digital banking and the rise of Islamic finance products and services.

Closer to home, it’s proving a challenging year for South Africa thus far. But between load-shedding, currency fluctuations and limited economic growth projections, there are pockets of encouragement to be found. Despite the gloomy small business statistics, entrepreneurs like Sizakele Majola, profiled in this edition’s SME story, are defying the odds and growing successful businesses, while initiatives like StarSaverTM (formerly Teach Children To Save South AfricaTM) ensure that young South Africans are growing up to be more financially informed than their parents were.

We also examine the economic outlook in South Africa, mull over the Budget Speech, and chat to FNB CEO, Jacques Celliers, about his first year at the helm of the company.

As we explore the many opportunities on offer on our magnificent continent, although they are not without challenges, it seems the world may finally have woken up to the truth in the late Chinua Achebe’s words: “What’s important is that we recognise the falsehood of the notion that the Third World should be abandoned because it’s a waste of time.”

Tamara Oberholster
If you’re interested in South Africa’s love of fashion, read a newspaper.

If you’re interested in South Africa’s love of fashion, and why it has caused us to spend more on clothes than on education, read Business Day.

More than news.

Everybody talks about fashion. But with four new sections, including lifestyle, as well as insightful analysis and expert opinions from the best journalists in their field; nobody talks about fashion quite like us.

WWW.BDLIVE.CO.ZA
Africa: favoured investment destination

It is now common course that Africa is no longer the “dark continent,” but is instead a favoured destination for investment and growth. South African corporates, including banks, have expanded into the rest of Africa, and South Africa is now the largest investor into the rest of Africa.

The quantum of SA investment into the rest of Africa has increased by a whopping 536% in the last decade. SA firms invested in 75 projects in 2012 alone, to the value of $1.4 billion. SA investment has also created 46 000 jobs in the rest of Africa since 2013.

Why is Africa such a favoured investment destination?

The data on the continent is indicative:
• Population of 1 033 billion in 2013;
• An increasingly urbanising continent, with significant growth in cities like Lagos;
• 200 million people aged between 15 and 24 years, making it the youngest population in the world;
• Average growth rate in 2013 at 4%, compared to global rate of 3%;
• Sub-Saharan growth rate in 2013 was 5%, projected to be 5.8% in 2014;
• East and West African growth rate was 6% and above;
• External financial flows quadrupled since 2000, projected to reach $ 200 billion in 2014;
• FDI is expected to grow to $80 billion in 2014;
• Over 750 new greenfield manufacturing projects;
• Remittances reached $67.1 billion in 2014;
• Tax revenue continues to increase and reached $4 527.3 billion in 2012. This shows improvement in governance. Political governance has also improved, with peaceful elections;
• Exports grew faster than any other region in the world in 2012 at 6.1;
• Poverty levels are falling, and incomes are growing; and
• The Human Development Index shows a 1.2% annual growth, and 15 countries now have medium to high human development. There are, however, some issues that still need to be worked on for the continent to develop its fullest potential:
• Youth unemployment is high at twice that of adults;
• Financial inclusion is low, with less than 25% of people having a formal bank account;
• Almost half the population lives in extreme poverty;
• African cities have the highest Gini coefficient in the world, at 0.58;
• Major economies are still very dependent on oil exports and have not yet diversified. So the decrease in fuel prices will lead to a reduction of 1% to the GDP in Nigeria, which still has 70% of its budget coming from oil exports; and
• African economies are still not in the global value chains, so contributions to growth by African corporates remains low.

The data thus shows the significant opportunities in Africa. The data also shows governments are working hard to improve. The negative data can be turned into opportunities if one makes progress on creating jobs for youth, educating young people for new economies and creating inclusive economies.

The low financial inclusion rate presents opportunities for the financial sector to develop innovative products to broaden access.

South Africa must play an active and proactive role in the ongoing growth and development of the continent. We need to ensure more effective collaboration with countries like Nigeria, to lead economic and social development without compromising the competitive drive of individual countries.

We also have to review the regional conurbations to ensure these are structured according to trade and financial flows, instead of being informed by political considerations. There is still a great deal of work to be done on the regulatory environments, deepening of capital markets, promoting economies that create jobs and getting some economies globally connected.

Africa is no longer the “dark continent”!

The opportunities for investment are significant, but addressing the areas of weakness will enable the continent to reach its fullest potential. African governments, private sectors and broader civil society must work together to create inclusive economies, accountable governments and transparent and equitable societies.

References: World Bank; UN Habitat; African Economic Outlook; and Ernst and Young.
SA’s first private bank for entrepreneurs
Mercantile Bank, a specialist financial institution, launched Mercantile Private Bank in December 2014 – the country’s only private bank catering exclusively for entrepreneurs.
“We believe that entrepreneurs are critical contributors to the economic growth of South Africa. This is why we’ve created something that is relevant for this sector, and the best part? You don’t have to be ultra-rich to access it,” says Tom Stilwell, Head of Mercantile Private Bank. The Bank has also partnered with Citadel Wealth Management to advise business owners on how to grow, preserve and manage their wealth.

Deutsche Bank and Capitec fined
After being fined R10 million and R5 million respectively by the South African Reserve Bank for breaching the Financial Intelligence Centre Act (FICA), Deutsche Bank and Capitec say they have co-operated in full and rectified the problems. Deutsche Bank was found to have inadequate controls against money laundering, while Capitec had failed to comply with cash threshold reporting security laws.

BankservAfrica Private Pension Index launches
The BankservAfrica Private Pension Index (BPPI) is the first private pension data series in South Africa and provides an income gauge of monthly private pension payments into the bank accounts of people aged 60 and over.
The median pension reveals that a typical pensioner earns only R3 559 per month, with 53.3% of pensioners earning less than R4 000 a month.

Mama Money to simplify African remittances
Cape Town-based start-up Mama Money is hoping to disrupt the remittance market. Founded by Raphael Grojnowski and Mathieu Coquillon, Mama Money currently enables Zimbabwean immigrants in South Africa to send money back home at a 5% fee with no hidden costs and no margin charged on the exchange rate, using their mobile phones. The company, established under a partnership arrangement with Old Mutual Zimbabwe’s banking arm, CABS, hopes to expand to other countries in Africa soon.

Banks more trustworthy than insurers
According to a survey by advisory firm EY, South African consumers trust their local banks more than their insurance companies. The EY Global Customer Insurance Survey spanned 24 000 consumers in 30 countries, including 800 consumers in South Africa. Among the local respondents, the level of consumer trust towards insurers was 62%, compared to 81% for banks. Globally, 70% of respondents expressed trust in insurers, compared to 82% in banks. According to Graham Handy, Global Insurance Customer Lead at EY, one of the reasons for low trust in insurers is infrequent customer contact, and insurers would do well to improve their levels of customer engagement.
Securing your cash.
Securing your future.

G4S Cash Solutions is South Africa’s leading cash management solutions provider. Our highly experienced personnel manage a network of cash facilities nationally and operate a fleet of over 1,000 vehicles fitted with the latest integrated communication and tracking systems.

Working in partnership with leading financial institutions, retailers, government and leisure sectors, we provide turn-key solutions from cash transportation through to cash processing. We service over 22,000 customers daily and process R4 billion worth of cash per month.

Our customers demand faultless service and tailored solutions. To this end, we offer:

- Scheduled collection and delivery of deposits between bulk cash centres or our G4S cash facilities.
- Counting, verification, authentication and sorting of cash.
- Insurance of items in our possession through G4S Insurance Ltd.
- Audits and investigation through the G4S Risk and Security Department.
- Tactical Support Units that assist with the escorting of high-value consignments.
- Logistics and transport of valuables including bulk forex, bullion and medical supplies.
- Technology that facilitates the collection, processing, safeguarding, recycling and dispensing of cash through G4S Deposita.
- G4S ATM Engineering for multi-vendor maintenance, refurbishment and technical support.

For security solutions that protect your operation and add value, contact G4S on 0860 111 433.
Goldman Sachs BDC launches on NYSE

The initial public offering of Goldman Sachs BDC Inc (GSBD), priced at $20 a share, started trading on 18 March on the New York Stock Exchange. Goldman Sachs BDC Inc is selling all of the 6 million shares in the offering and is the first business development company backed by an investment bank to go public in the United States. The offering is underwritten by BofA Merrill Lynch, Goldman Sachs & Co and Morgan Stanley. Credit Suisse Group has also filed for an IPO of its Credit Suisse Park View BDC Inc.

ICC Academy launched

On 18 March 2015, the International Chamber of Commerce (ICC) launched the ICC Academy in Singapore. Delivered via a digital platform, the ICC says the Academy will provide rigorous, relevant and applicable business education – encouraging individuals to reach their highest potential with respect to professional competency and ethical conduct. The Academy was launched in partnership with International Enterprise (IE) Singapore, the government agency that promotes international trade and assists Singapore companies to internationalise.

Suisse launches digital banking app in Asia

Credit Suisse is rolling out its new private banking app in Asia in an effort to compete with rivals offering digital services for wealthy clients. Digital wealth managers promise a private bank performance without the frills, and at a lower price, and Credit Suisse has launched its app in response, which includes an overview of clients’ investment performance, tools for trading securities and for Forex, as well as allowing clients to communicate instantly with their bankers.

Diebold launches new anti-skimming device

Skimming remains the most prevalent type of ATM crime and a major concern for financial institutions. US-based company Diebold has launched ActivEdgeTM, an anti-skimming card reader that prevents all known forms of skimming, as well as other forms of ATM fraud. ActivEdge counteracts skimming technology that currently relies on the ability to read the magnetic stripe of an ATM card in the short-edge orientation, by altering the way the card is inserted and read. It requires card users to insert their cards long edge, making it impossible for skimmers to capture the card’s information.
Somalis affected by new anti-terror banking laws

New rules aimed at preventing money laundering and terrorist financing dictate that all US transfers to Somalia have been blocked. Although they may decrease criminal activities, the new regulations are also affecting ordinary Somalis. Every year, Somalis living abroad send an estimated $1.3 billion home using the cost-effective Hawala money-transfer system. Hawalas allow money to be deposited in a foreign bank and instantly credited to recipients through providing basic identity details matching those submitted by the sender. The Merchant Bank of California that provides the majority of services to Somali money-transfer companies said it will stop doing so after receiving a “consent order” from the US Treasury. Ironically, this may force Somalis to use unregulated and illegal methods to send money home.

IMF says Ecobank concerns have been addressed

The International Monetary Fund (IMF) says the governance issues it raised regarding Ecobank Transnational have been addressed. The IMF originally red-flagged Ecobank for rushed growth, warning that it could compromise financial security on the continent, where the bank operates in 36 countries. The report singled out Ecobank Nigeria, noting its “relatively weak capital position remains a concern”, but Ecobank challenged the IMF report, saying it contained inaccuracies. Governance remains a delicate subject at the bank, which was recently ordered to compensate its former CEO Thierry Tanoh $13.2 million in a wrongful dismissal suit. The bank is appealing the ruling.

UK Financial Investments sells more Lloyds shares

In late February, Britain’s finance ministry revealed it had raised £500 million through the sale of a further 1% stake in Lloyds Banking Group, bringing its stake to less than 24%. This move brings Lloyds closer towards a return to private ownership, following Britain’s injection of £20 billion into the bank during the period of 2007 to 2009, which resulted in a 41% shareholding.

Tactile cards for sight-impaired customers

RBS/NatWest has become the first UK bank to launch “accessible” bank cards that will be much easier to use for partially sighted and blind customers. The cards feature tactile markings, including a notch to show in which direction they should be inserted into an ATM. The cards are the first banking products to be accredited by the Royal National Institute of Blind People.

Orange partners with Ecobank in mobile banking in Africa

Orange and Ecobank have struck a partnership deal that will enable customers in several African countries to transfer money between accounts through their mobile phones. Currently live in Mali, the joint service that allows users to top up their Orange Money e-wallet from their bank account, and vice versa, will soon be available in Cameroon, Côte d’Ivoire, Guinea Conakry, Niger, Senegal and the Democratic Republic of the Congo. With Orange Money, customers can transfer money from their mobile phones to any other customer in the country and, in some countries, internationally. They can also pay their water, electricity and television bills and top up their telephone airtime remotely. Depending on the country, they may also benefit from savings and insurance solutions.
Navigating the funding landscape

The inaugural Western Cape Funding Fair, which attracted 600 applicants, targeted new and existing enterprises based in the Western Cape that would create jobs, contribute to the economy and require at least R10 million in funding.

There is a growing focus by government and the private sector on establishing the Western Cape as an innovative business hub. Government recently announced that it has spent a total of R45 million this financial year, through various entrepreneurship programmes, to assist new business development with access to finance. While this is excellent news for the province, many business owners are still uncertain about how to adequately prepare their business for funding, or which funding approach is best suited to them.

"Before any bank funding is sought, a business needs to have equity; a proven track record and experienced team; guaranteed inputs or raw materials; proven market demand; and a robust project finance model," says Andre Pottas, Corporate Finance Partner at Deloitte. "If these attributes are not all in place, as is common for start-ups and new, innovative technologies, then alternatives to bank debt must be sought."

Even where those requirements are in place, the funding landscape still needs to be navigated. How much equity do you need to release bank-loan funding? Should the business seek an angel, venture capital, private equity or trade investor? Is bootstrapping – that is, funding the business from your own pocket or company cash flows – a viable option?

Pottas explains: "It all depends on the type of business you are developing and the returns you can predict. For innovators and disruptors, who often have little own equity to contribute, selling their idea can be really difficult and self-funding may be the only option available in the short term."

He says the pros and cons of each approach should be carefully weighed before making a decision.

"For example, to get equity finance, it is a trade-off between the new networks and expertise you expose your business to, and the percentage of equity and control that you are willing to give away. Loan finance, on the other hand, guarantees that you keep all of your shares and can run the business as you like, yet the loan can create a strain on the cash flow of the business," he says.

An alternate source of funding that is gaining in popularity is crowdfunding, which allows business owners to raise capital in small amounts from a variety of funders, typically via social media. Pottas says this is a very simple and cost-effective way to buy shares in a business, and this method has been successfully used in the USA for industries, including technology and energy projects.

Another funding trend popular in Germany, for example, is media for equity, where there is an exchange of shares for advertising space in a start-up. This often occurs when media companies have unsold advertising space. Advertising can be expensive, so start-ups can afford to market their company without parting with valuable cash resources," he says.

To increase awareness and education on the wide range of options available to entrepreneurs from both public and private funding institutions, as well as address other issues important to the entrepreneurial sector, Deloitte, in partnership with the Department of Economic Development and Tourism (DEDAT), hosted the inaugural Western Cape Funding Fair on 18 March at the Cape Town International Convention Centre (CTICC).

The aim of the event was to provide a unique engagement platform for funders and Western Cape-based businesses. Members of the public were invited to attend the event free of charge, which included a full-day programme of topical entrepreneur-focused speaker sessions and panel discussions, as well as an exhibition.

Some of the hot topics on the programme included: The State of Entrepreneurship in South Africa, presented by Michael Herrington (Global Entrepreneurship Monitor); How to Build a Global Business in Cape Town, presented by Tim Harris (Wesgro) and; The ABCs of Funding, by Andre Pottas (Deloitte Corporate Finance).

A panel discussion on Starting a Business – An Entrepreneur’s Perspective featured speakers such as Alan Knott-Craig Jr (Project Isizwe), Darlene Menzies (The Development House) and Guy Harris (South African Institute for Entrepreneurship).

"Creating opportunities for economic growth and jobs is our number one priority in the Western Cape," says Alan Winde,
Western Cape Minister of Economic Opportunities, who officially opened the 2015 Western Cape Funding Fair. "We believe that entrepreneurs are critical in achieving this. Ensuring that entrepreneurs have access to financial support networks is a key part of our strategy to ensure we foster small and medium businesses. Through the Funding Fair, a joint initiative between government and the private sector, we are connecting entrepreneurs with the right investors to take their businesses forward, better together,” he said at the event.

Marius Alberts, Deloitte Western Cape regional leader, says the company recognises that entrepreneurship is increasingly being viewed by both government and the private sector as the primary means to drive economic and social development. “We are hopeful that the Funding Fair platform will benefit funders, project promoters, entrepreneurs, and in the long run, contribute to the growth of the Western Cape economy,” says Alberts.

“I have a vision of a different ecosystem for entrepreneurs in this province. And this is the platform where everything starts to change, and money starts to flow to the entrepreneurs. It is initiatives like these, and the good stories that will come out of them, that make us the place where people want to do business, and can do so easily.”

Minister Winde also called on banks in South Africa to take more risks when it comes to entrepreneurs. “Our banks were praised for their low risk rating when the global recession hit,” he said.

“But if we want to change the ecosystem for entrepreneurs in this country, they are going to have to be open to more risky ventures. Job creation is key for our future, and neither government nor the private sector can make the changes happen on their own. It is partnerships like this one that are the key to our future growth.”
The future of banking in Sub-Saharan Africa
For banks and non-bank financial service providers, the African continent is alive with possibility. According to Africacheck, current estimates suggest there are about 1.13 billion people on the continent, while projections for 2025 range from 1.397 billion to 1.486 billion. By Lindsay Grubb
According to Accenture’s Ideal Model for Financial Services in Africa, titled ‘At the Tipping Point: An Inclusive Approach’ and released in July 2014, “about 74% of the continent’s population is currently unbanked, with no access to formal financial services.” Accenture believes that development must be inclusive, and that for financial services companies wishing to succeed in Africa, there is a need to find a way to meet the needs of this unbanked segment.

It is not just the needs of the unbanked segment that must be addressed, however. In a Standard Bank blog post published in August 2014, the bank focuses on the rise of the middle class in Sub-Saharan Africa. It highlights how the increase in household income in many of Africa’s key frontier economies has allowed the formation and strengthening of a substantial middle class, one which is expected to boom in the next 16 years from today’s 15 million to over 40 million by 2030. In particular, the Standard Bank study focused on the middle-class markets of Angola, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, South Sudan, Sudan, Tanzania and Uganda. This middle class will be looking for a more personalised experience with relevant product offerings.

Looking to the future of banking in Africa, the consensus from a number of leading global professional services firms is that change is coming, and that over the next five years, new financial models will emerge that will transform the face of banking as we know it. As the regulatory and operating landscape goes through rapid changes, these new models will be driven by (among other things) the need for growth in traditional and non-traditional areas, financial inclusion, the need to overcome industry challenges, such as regulation and compliance, demands for products and services by customers, operational efficiencies, failing legacy systems and ever-changing technology. There will also be the threat of competition by other banks and non-bank financial service providers.

In September 2014, PricewaterhouseCoopers (PwC) released Stability amid uncertainty, South Africa – Major banks’ analysis, which looks at the major banks’ results for the reporting period that ended on 30 June. The report notes that “the drive to expand their footprint, product offerings and customer capabilities in markets within the continent and beyond South Africa continues to be highlighted as a headline strategic objective of all of the major banks. While individual strategies are nuanced, the desire to incrementally enhance the earnings contribution of their operations in the rest of Africa remains a core area of focus for the banks.”

Challenges and opportunities
Deloitte sees regulation and compliance, competition, customers and products, operational efficiencies and technology and adaptations as the biggest challenges facing the banking sector in 2015 and over the next five years. In its Banking Outlook (2015) report, Deloitte examines how banks will need to ensure all key strategies are aligned with regulations and compliance in order to deal with regulatory pressure, and see competition increasing in the small business, personal lending and payments space, as new non-bank institutions enter the marketplace.

Delivering on customers’ needs for a more differentiated product mix and a greater customer experience is also a key objective that banks will need to meet. In terms of operational efficiencies, Deloitte says there is a trade-off between cost efficiencies in driving profitability, while at the same time investing in developing innovative strategies that require investments in operations. With the constant and increasing threat of cyber attacks, ensuring greater protection in cyber security will be a key focus area and challenge to overcome. Core banking systems will need to continue to transform to new technology adaptations and digitalisation that are rapidly occurring.
PwC warns: “The challenges and dilemmas posed by the parallel changes in technology, customers and revolution are not confined to incumbent banks, or even non-bank pretenders. The banking policy and regulatory community will face its own challenges and struggle for relevance. Going forward, the provision of banking services may no longer be restricted to a set of regulated banking institutions, but could be opened up instead to a more diffused set of commercial enterprises that would extend into other financial and non-financial service domains. If all this happens, the scope of the regulatory challenge widens and becomes more complex, and the core focus becomes the resilience of the network rather than of a set of institutions within it. In this scenario, the job of ensuring financial stability, protecting customers, maintaining competition and so on would change almost beyond recognition. With that, regulatory bodies would also need to reinvent themselves.”

‘PwC noted that the major banks are also increasingly looking northwards to bolster trading revenues.’

While there are challenges aplenty, a range of opportunities abounds as well. When asked about the opportunities open to banks across the continent in the coming years, Deloitte cited the continued upward trend in mobile banking in Africa, increased global trade requiring additional banking services for trade and investment, and additional demand for banking products by the burgeoning middle class, as just a few of the potential opportunities for banks and non-bank financial services providers.

PwC noted that the major banks are also increasingly looking northwards to bolster trading revenues, given the strong economic growth being experienced in many countries on the continent and opportunities that exist in these territories.

A new way of doing business
According to PwC, “Macroeconomic trends in the financial services marketplace and the global economy suggest that periods of turbulence, uncertainty, and a series of highly complicated and ambiguous risk-and-reward scenarios lie ahead.” PwC says banks today face rapid and irreversible changes across technology, customer behaviour and regulation and suggests that the net effect is that the industry’s current shape and operating models are no longer sustainable into the future.

Accenture believes that advancements, particularly in mobile technology, and the introduction of disruptive innovation, enable financial services providers to offer more financial solutions across multiple channels.
and platforms. In order to answer to the need for financial inclusion across the continent, Accenture envisions that a Hybrid Service Model is ideal for both financial institutions and non-financial institutions wanting to move up the value curve in providing financial services and products. This model combines the bank’s branch fulfilment capabilities with the technology and reach of mobile and agent networks in order to extend service offerings to new and existing customers, which may be the key to realising growth potential.

Deloitte believes that the bank of the future will be provided by a frictionless omni-channel experience, which will be personalised to individual needs of the customer, and will be provided at a low cost or maybe even free. The operating model will have unique capabilities embedded, such as data analytics, will be digital by design, scalable and flexible, and most likely based on cloud architecture with an agile ecosystem.

As the banks’ strategic focus changes, they need to keep the increasingly demanding customer top of mind. According to PwC, channel and platform innovation, together with customer-centric product diversification priorities, are strategic focus areas for each of the major South African banks that have all highlighted the importance of driving customers and product delivery through to mobile and online channels in the years ahead.

Agreeing that banks need to adapt to shifts in customers’ needs to provide a positive customer experience in order to drive retention, Deloitte highlights dissatisfaction with high fees, a need for an improved customer experience, shifting customer expectations, a need for a more personalised service, social media and brand advocacy, as well as digital channels and channel harmonisation, as drivers of this need for greater customer-centricity.

To the winner go the spoils

In its report, PwC states that, “While we are not looking at the end of banking and banks as we currently know them. A failure to adapt could also mean the end of some regulatory bodies and instruments.”

So what rewards can those who successfully transition and make headway into the continent expect over the next five years? Deloitte believes that in 10 years’ time, the banking environment in Africa will be dominated by a handful of truly pan-African banks and they will account for majority of the banking activities on the continent. Banks that have strong strategic alignment, as well as leadership that can adapt and change quickly, will likely align themselves to the new models successfully, experience exponential growth and eventually become members of this elite group of banks.

‘Deloitte believes that the bank of the future will be provided by a frictionless omni-channel experience.’

Banks, traffic and people fill up the CBD in Nouakchott, Mauritania.
all clear...

14 successive UNQUALIFIED audits according to the Auditor-General South Africa.

see how we achieved this by downloading our latest annual report at www.bankseta.org.za

Appreciating the courage of the BANKSETA team to explore unchartered waters to the benefit of the entire sector.

94 Bekker Road, Thornhill
Office Park, Block 22,
Vorna Valley, Midrand 1686

Tel: +27(0)11 805 9661
Fax: +27(0)11 805 9661
Call Centre: 086 102 0002
The rise of mobile money in Africa

From humble beginnings in Mozambique, mobile money is fast revolutionising the continent. By Ronnie Mamba

It was in 2002 when a little-known English research organisation Gamos, working with the Commonwealth Telecommunications Organisation and the UK’s Department of International Development, approached Mozambique’s then biggest cellular network company, Mcel, to develop an airtime-credit swapping formula to test if it would be a viable means of moving money around Africa’s vast hinterland. Little did they know that they were starting a revolution that would eventually turn financial management and money transfer on its head.

Having observed that already in countries such as Uganda, Ghana and Botswana people regularly used airtime as proxy for money, they theorised that the growth of the mobile-phone technology was likely to provide the only opportunity to absorb Africa’s unbanked population into a safe service of money movement and financial management. This would reach remote villages and previously inaccessible rural communities, just as cellphones did.

In the intervening decade, this experiment has catapulted Africa from the periphery of the global financial-services industry into the world’s biggest mobile-money market. With only 30% of people in Africa owning bank accounts, such a service was always going to be popular. Niti Bhan, founder of Emerging Futures, attributes these negligible numbers of bank-account holders in part to the lack of consumer confidence in banks on the continent. Criticisms levelled at banking services include accusations of being exorbitant, unresponsive, bureaucratic and at times irrelevant to the realities of a continent vast in size and still largely rural and inaccessible.

The explosion of mobile money has been seemingly instantaneous, especially in East Africa, prompting Microsoft boss Bill Gates to declare that over the next 15 years, mobile money and digital wallets will overtake the inefficient banking system and in the process transform the lives of some 2 billion people who find themselves isolated from the formal financial system.

Mobile money is alive and well in Africa. Whether it’s Nigeria’s Teasy Mobile, East Africa’s M-Pesa, Zambia’s Zoono or Sierra Leone’s Splash, Africans are leading the pack in this industry: Keith Wallace, Research Director at Telecoms Market Research, says mobile money transactions by Africans are predicted to top USD 160 billion over the next 12 months.

Moussa Dao, of Orange Money at Orange Cameroon, says mobile money in Cameroon and in the Central Africa region is looking very promising. “We firmly believe that we will be no exception to the good examples given by the ‘sprinters’ in East Africa, West Africa and Asia, where the populations have reached an advanced stage of mobile money adoption for their daily transactions towards almost all sorts of beneficiaries,” he says. Benefits include improved control and management for financial institutions, direct access to cash for customers, enhanced security and increased financial inclusion.

The introduction in the UK of BitPesa, which allows users to send money to Africa, also bodes well for the industry and has come at a time when Strive Masiyiwa’s EcoCash (available to Econet customers) already has 3.5 million subscribers in Zimbabwe.

This growth is by no means without its challenges, however. Concerns are growing regarding the regulation of mobile money on the continent and Pieter de Villiers, founder of Clickatell, says new operators entering the mobile-money market now face far tougher regulations. Authorities are likely to increase tax on transactions in the future too, but De Villiers warns against over regulation. He points out that without regulatory stability, investors will stay away and the big players such as telecommunications companies and banks will be ambivalent.

The movement and financial management. This would reach remote villages and previously inaccessible rural communities, just as cellphones did.

In the intervening decade, this experiment has catapulted Africa from the periphery of the global financial-services industry into the world’s biggest mobile-money market. With only 30% of people in Africa owning bank accounts, such a service was always going to be popular. Niti Bhan, founder of Emerging Futures, attributes these negligible numbers of bank-account holders in part to the lack of consumer confidence in banks on the continent. Criticisms levelled at banking services include accusations of being exorbitant, unresponsive, bureaucratic and at times irrelevant to the realities of a continent vast in size and still largely rural and inaccessible.

The explosion of mobile money has been seemingly instantaneous, especially in East Africa, prompting Microsoft boss Bill Gates to declare that over the next 15 years, mobile money and digital wallets will overtake the inefficient banking system and in the process transform the lives of some 2 billion people who find themselves isolated from the formal financial system.

Mobile money is alive and well in Africa. Whether it’s Nigeria’s Teasy Mobile, East Africa’s M-Pesa, Zambia’s Zoono or Sierra Leone’s Splash, Africans are leading the pack in this industry: Keith Wallace, Research Director at Telecoms Market Research, says mobile money transactions by Africans are predicted to top USD 160 billion over the next 12 months.

Moussa Dao, of Orange Money at Orange Cameroon, says mobile money in Cameroon and in the Central Africa region is looking very promising. “We firmly believe that we will be no exception to the good examples given by the ‘sprinters’ in East Africa, West Africa and Asia, where the populations have reached an advanced stage of mobile money adoption for their daily transactions towards almost all sorts of beneficiaries,” he says. Benefits include improved control and management for financial institutions, direct access to cash for customers, enhanced security and increased financial inclusion.

The introduction in the UK of BitPesa, which allows users to send money to Africa, also bodes well for the industry and has come at a time when Strive Masiyiwa’s EcoCash (available to Econet customers) already has 3.5 million subscribers in Zimbabwe.

This growth is by no means without its challenges, however. Concerns are growing regarding the regulation of mobile money on the continent and Pieter de Villiers, founder of Clickatell, says new operators entering the mobile-money market now face far tougher regulations. Authorities are likely to increase tax on transactions in the future too, but De Villiers warns against over regulation. He points out that without regulatory stability, investors will stay away and the big players such as telecommunications companies and banks will be ambivalent.
BankingTech
Johannesburg 2015 The Maslow, 7-8 July

agenda
Tuesday 7th July 2015

09.30 registration and refreshments
10.00 opening sessions

Welcome from the Chair
Darrel Orsomd, Industry Principal Financial
Services, SAP Africa

Aligning Technological & Operational Strategy
to Business Strategy
Shawn Smith, COO, Hollard Investments

Being Digital in Africa
Financial institutions are at crossroads. Whichever path
they choose, they require a new mind-set that embraces
the digital era and the new customer. It’s time financial
institutions stopped doing digital and start being digital.
Fernand Dimichstein, MD, Financial Services,
Accenture SA

11.50 one-to-one meetings program
12.50 lunch
13.35 one-to-one meetings program
15.55 workshops running concurrently

Digital Disruption
Lee Naik, MD, Digital & Technology Strategy,
Accenture SA

Hiding in Plain Sight - what's really happening
on your network
Adriaan Joubert, Security Systems Engineer, Palo
Alto Networks

16.25 time at leisure
18.30 welcome drinks, dinner & entertainment
overnight accommodation at The Maslow Hotel,
Johannesburg

Wednesday 8th July 2015

09.00 workshops running concurrently

SAP Africa workshop

Workshop D to be confirmed

Mobile Insurance: Past, Present & Future
Exploring the future of mobile and freemium insurance, two
revolutionary trends in the insurance industry.
Peter Gross, Region Director, MicroEnsure Africa

Workshop F to be confirmed

13.10 lunch
14.00 close

A B2B forum for African banking IT executives and
international technology vendors
For details on how to reserve a place contact:
annabel@openroomevents.com
or call on +44 20 8222 8837
www.openroomevents.com

partners

SAP
Platinum Partner

Accenture
Gold Partner

Palo Alto Networks
Silver Partner

BankerSA
Media Partner
Islamic banking set to boom

Islamic banking has seen a phenomenal surge in Africa over the last decade. The continent’s banking-penetration rate is still comparatively low and this bodes well for the Islamic sector. By Helen Ueckermann

Africa’s large Muslim population makes the growth potential for Islamic finance an exciting prospect. The sector has experienced massive growth over the past 10 to 20 years. Yet, despite what bankers describe as phenomenal growth, FNB Islamic Banking estimates that the size of the South African market utilising some form of an Islamic banking product is estimated at a mere 15% of the Muslim population.

The growth rates of Islamic banks have outpaced their conventional counterparts, albeit from a much smaller base, says Uwaiz Jassat, Acting Head of Absa Islamic Banking. Furthermore, countries are looking to Islamic finance to tap into the cash-rich Middle-East market. South Africa can play a major role in exporting an Islamic banking model to the rest of Africa where approximately 500 million people adhere to the Islamic faith, he says.

“More countries are embracing Islamic finance. Also, the need for Islamic banking products is driven by a huge unbanked population who require an alternative way to bank,” says Jassat. “The African continent remains an exciting opportunity, also in terms of doing business with non-Islamic communities. Strong economic growth over the last few years in many of Africa’s economies is creating demand for banking products.”

Islamic banking products in the market are somewhat limited at present and therefore do not provide customers with a holistic solution. This presents a great opportunity for growth, says Jassat. As the industry develops and matures, he expects to see a shift away from creating copies of conventional products to more client-centric, needs-based products.

“One of the reasons for the low take-up is the limited representation of Islamic banking branches throughout South Africa. This is being addressed with the two of the bigger banks having Islamic windows and having Islamic products available at all their branches,” says Shabir Chohan, CEO of Al Baraka Bank.

Al Baraka, registered in South Africa since 1989, pioneered Islamic banking in the country in response to an identified need for a system of banking which adhered to Islamic economic principles. The bank is South Africa’s only fully-fledged Islamic bank and is a subsidiary of the international Al Baraka Banking Group B.S.C.

Chohan says there is significant growth potential for Islamic banking. “Muslims represent 2% of the South African population, and with Al Baraka’s share of the banking market being just above 0.1%, there is potential to capture additional share in the medium to long term,” he asserts. “The total share of Islamic banking assets for all banks in South Africa is possibly below 0.5%, hence the potential for the market to grow. For Africa, with its large Muslim population, the growth potential is enormous.”

Perceptions that the low take-up among
the Islamic population is due to higher than average banking charges, are unfounded, says Chohan. “Our bank charges are competitive and our transaction fees on our electronic banking product, for example, are among the cheapest in the industry. On advances, pricing is based on the risk profile and similar to the pricing of other institutions.”

Islamic customers could be made more aware of Islamic banking products and the advantages these hold for them by creating wider publicity regarding available products and Islamic banking solutions. This is an area that could be addressed more adequately, explains Chohan.

Amman Muhammad, CEO of FNB Islamic Banking, says Shari‘a-compliant solutions offer customers the opportunity to transact, save, invest, finance and insure in a manner that is consistent with Shari‘a principles (Islamic rulings). Products are approved by the independent Shari‘a Supervisory Board, a panel of experts in Shari‘a law, he says.

For Muslims, there is a specific prohibition on paying or receiving interest, as well as transactions involving excessive uncertainty and all forms of gambling, as this is deemed harmful to society. Since the conventional banking system has elements that would not be allowed to a Muslim customer, Islamic banking provides an alternative. However, many of the principles upon which Islamic banking is based are commonly accepted all over the world, says Muhammad.

“Islamic banking is taken to customers in a manner that has never been seen before – using a blend of digital technology and exceptional customer service. We are continually working on ways to expand product ranges and bankers are keenly awaiting the issuance of a rand-based Sukuk (Islamic bonds) that could prove to be a great platform for the development of new products,” he says.

Given the sophisticated South African banking infrastructure, Islamic banking practitioners are required to comply with the normal governance, compliance and risk requirements. In this way, the South African Islamic banking product is robust and world class – making it perfect for export to other African countries.
More than just a solution...

We provide Wincor ATM's & Scancoind devices that will enable you to receive cash as well as dispense cash with the highest level of security.

We provide cash handling equipment that will ensure your tellers balance daily & prevent the receiving of counterfeit notes.

Our team of specialists will design & build your bank to your needs.

With the help of the right equipment and software we can ensure your recycling of notes & reloading of ATMs are effective and efficient.

We will arrange that your cash safely reaches the cash centres.

Money makes the world go round for Global Payment Technologies (GPT), which specialises in the supply and maintenance of cash handling equipment throughout South Africa. Wherever there is money to be counted or validated, in any industry, GPT has probably supplied the equipment. From the machines that validate, sort and count coins and bank notes, to the intelligent drop safes installed in retail outlets, credit card terminals, to automated pay points. GPT supplies equipment as well as software interfaces that are compatible with existing equipment. State-of-the-art cash handling equipment plays a crucial role in ensuring efficient and accurate business processes. With the right equipment in place, companies are able to increase security, eliminate the risk of fraud, ensure accurate till audits, increase efficiency and implement considerable cost savings. GPT sources the best of what is available globally and imports to South Africa. GPT serves a variety of clients in a wide spectrum of industries, including the gaming industry, financial services, hospitals, government institutions and the retail sector.

@GPT_Bidvest | @Bidvest_GPT | www.facebook.com/gptsa | www.gpt.co.za

c: 082 495 8455
8 Saturn Crescent, Linbro Park, Frankenwald
S 26° 3.823’  E 28° 6.763’
The role of business is changing. Today, business has to do more than make a profit; it must also drive social and environmental change. In Africa, one of the biggest challenges in driving social change, and more specifically poverty reduction, has been how to empower disadvantaged individuals through financial inclusion.

Over the years, we have seen an evolution in the microfinance landscape. What began as micro-credit, a simple service of offering micro-loans to the world’s unbanked populations, has evolved into complex microfinance markets run by thousands of microfinance institutions. This evolution is often called financial inclusion.

Microfinance can be divided into three broad categories: micro-credit, micro-savings and micro-insurance.

The premise of micro-credit is to provide small loans for unplanned events, like health or emergencies, or to help micro-entrepreneurs to invest in their businesses, reinvest the returns and allow them to grow out of poverty. Recent studies indicate that while micro-credit can be a useful financial tool for some entrepreneurs, it has not typically generated dramatic increases in income. Some key challenges in micro-credit include the questions of how access can better contribute to poverty reduction and what credit product design choices and screening mechanisms could increase its effectiveness, as well as its financial viability. The financial literacy of consumers remains a big obstacle.

Micro-savings products aim to provide accessible and safe avenues to save. These products can include simple, no-frills bank accounts and commitment-based products that encourage deposits or limit withdrawals to help savers reach their savings goals. Recent research shows promising effects of access to savings products for self-protecting against economic shocks and investing more in micro-enterprises. The challenge is to make these products cost-effective for institutions.

Micro-insurance products are designed to mitigate different types of risks, such as agricultural or health risks. In emerging markets, the provision of such insurance is faced with two challenges of asymmetric information. First, as in established markets, the challenge for any insurance provider is to monitor that claims are justified, and to avoid selection of particularly risky customers into their customer base. Second, in new markets, there is an additional challenge of establishing trust among potential customers.

The new microfinance business models are more and more technology enabled, with innovations enhancing products by providing platforms that would otherwise not be available to the unbanked. The wide mobile phone reach in developing countries has allowed microfinance institutions and partners (mobile operators, retail stores, credit card companies, etc.) to develop integrated mobile banking platforms for the delivery of a broad range of products and services. According to the South African Year Book 2013-14, 50 million people in the country live below the poverty line, but more than 75% of those in low-income groups own a mobile phone. In Kenya, the ratio of smartphone users to bank accounts is 1.6 to 1.

Thus, mobile banking has taken off in Africa.

‘Over the years, we have seen an evolution in the microfinance landscape.’

The potential of mobile money in Kenya has been driven by mobile payment solution M-Pesa. Launched in 2007 by leading mobile
According to the South African Year Book 2013-14, 50 million people in the country live below the poverty line, but more than 75% of those in low-income groups own a mobile phone.

Operator Safaricom in association with major shareholder, Vodafone, M-Pesa had 12.2 million active customers (at the financial year ended March 2014), according to the mobile operator’s most recent annual report. M-Pesa is regarded as the most successful mobile payment solution in the world.

Perhaps one of the biggest opportunities for microfinance is the collective funding model driven by communities themselves. In South Africa, there is the humble stokvel. It’s estimated that collectively, stokvels are worth R26 billion, according to market-research company African Response. In practical terms, the stokvel serves as an interest-free loan or savings vehicle. While in its purest form, it is a savings vehicle/interest-free loan, many stokvels also have an insurance component, thus offering the full bouquet of financial products needed by an individual.

For all the opportunities to be realised, however, microfinance institutions need to address the following challenges:

- External reporting, prudential and consumer regulations, as well as social impact transparency to investors and other stakeholders imply dealing with ever-changing reporting standards, requiring deep industry knowledge and experience.
- Specialised skills are necessary to address tax and financial accounting issues.
- When considering microfinance investments, extensive knowledge of valuation methodologies and access to reliable market information are essential, as is sound risk management in day-to-day operations.
- In the case of relevant business failures, a structured approach to remediation should be applied.
The National Development Plan’s ambitious aim: to treble the size of South Africa’s economy by 2030. NDP makes it clear that getting SA onto a high-growth track requires changing the way the country operates.

Sasria SOC Limited (Sasria) being a state owned entity has a key role to play in contributing to the NDP. So, how is Sasria supporting this objective? The company contributes to Government’s NDP by ensuring guaranteed special risk insurance cover at reasonable cost, irrespective of the political risk in South Africa.

Insurance is the backbone of every industrial economy and without the guarantee of asset protection for investors, the country will struggle to attract and retain the foreign investors that are a vital element of South Africa’s economy and prosperity.

<table>
<thead>
<tr>
<th>GOVERNMENT NDP PRIORITY</th>
<th>SASRIA’S CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>· Create jobs</td>
<td>· By creating income (dividends) for the shareholder, the company contributes to Government’s revenue for application to any NDP priority.</td>
</tr>
<tr>
<td>· Provide quality healthcare</td>
<td>· The company is self-funded; it requires no state guarantees and it has sufficient capital to cover its risks.</td>
</tr>
<tr>
<td>· Promote transformation and unity</td>
<td>· The company creates jobs for its staff and provides learnership programmes.</td>
</tr>
<tr>
<td>· Fight corruption</td>
<td>· The company is well-managed with strong governance culture.</td>
</tr>
<tr>
<td>· Transition to a low-carbon economy</td>
<td></td>
</tr>
<tr>
<td>· Expand infrastructure</td>
<td>· By providing guaranteed special risk insurance cover to the economy, infrastructure development is encouraged and protected.</td>
</tr>
<tr>
<td>· Educate and train</td>
<td>· Sasria’s talent management strategy includes training and up-skilling staff.</td>
</tr>
<tr>
<td>· Build a capable state</td>
<td>· The company has invested and will continue to invest comprehensively in the education sector through school development projects and especially the financial services sector by supporting the SAADP.</td>
</tr>
<tr>
<td>· Transform urban and rural spaces (CSI)</td>
<td></td>
</tr>
<tr>
<td>· Transform urban and rural spaces</td>
<td>· A R181 million investment (as of 31 March 2014), has already been made in a third party infrastructure development bond fund.</td>
</tr>
</tbody>
</table>
Microfinance for financial inclusion

Africa is creeping up the list of favourite frontier markets for many multinationals. But while big banks, venture capitalists and canny corporates channel billions of dollars into enabling business in Africa, who is enabling the Africans? By Gary Green

In the western world, where plastic has overthrown cash as the favoured transaction, the concept of millions of people with no access to the services of a bank or a similar financial organisation is perplexing. In Africa, close to 80% of the population remains unbanked. This equates to more than 325 million adults with no previous accounts, no credit history, and no means of purchasing goods online or financing purchases through conventional lines of credit. This changes the rules of engagement considerably. This gaping divide has created an ideal opportunity for microfinance institutions (MFIs) to take centre stage.

Sub-Saharan Africa is home to just 2% of the world’s MFIs, but this number is growing. Responding to a market with a voracious appetite for spending, these specialist financiers are able to offer unsecured loans at reasonable interest rates to those seeking to finance big-ticket items, assets, business expansion, and even education.

These companies may be more agile than the big brand banks and have a great understanding of the market and its needs, but they often lack the ability to scale.

Unwieldy processes, tedious administration, and growing data requirements can hinder growth. Lack of credit card facilities or documented credit histories demands not only a shift in delivery methodology, but also in risk assessment. And while MFIs are not banks in the strictest sense of the word, they are often subjected to the same level of scrutiny when it comes to governance and compliance.

Technology = simpler, faster, cheaper

Cost to serve is always top of mind. Creating an offer that is attractive yet still financially viable is a precise art, particularly in riskier frontier markets. MFIs are leveraging technology to drive down costs for a leaner business model. Intelligent automation and the operationalisation of credit policies that build in fail-safes and governance requirements mean more volume in less time, with fewer errors and lower overall risk. The result?

More profitable lenders passing savings on to their clients, who in turn borrow more. As competitors jump on the micro-lending bandwagon, keeping ahead of the curve and speed to market becomes crucial. The most successful MFIs choose to remain focused on customer solutions and seek out technology solutions that allow them to do so.

‘Financial inclusion is about reaching as many individuals as possible…’

Credit-centric, software-as-a-service offerings and cloud-based, hosted solutions free up time and capital that would otherwise be invested in IT for product development. Being able to “stick to their knitting” means micro-lenders can focus their energy on what they do best, while savvy technology partners with scalable skills tackle IT challenges, such as managing big data, evolving analytics, creating intuitive user interfaces and reporting, as well as finding an innovative work-around for Africa’s notorious shortcomings with respect to connectivity and infrastructure.

Financial inclusion is about reaching as many individuals as possible, regardless of geography or economic standing. Technology is a huge enabler, particularly in Africa where 54 diverse nations each present unique opportunities and obstacles to potential service providers. MFIs can now replicate best practice to write an engaging and sustainable African growth story. As these much-needed services expand, the individuals they touch are able to reap benefits that could help them to improve their standard of living and achieve poverty eradication.

GARY GREEN

is Managing Director at Ke Concepts.
In addition to being Minister Nene’s inaugural budget, it is the fifth democratic administration’s first attempt to entrench the National Development Plan (NDP) across government budgeting, planning and prioritisation through the Medium Term Expenditure and Strategic Frameworks.

In any democracy, the government budget is inevitably about balancing the resources and support for competing interests, policy choices and trade-offs. Herein is the Finance Minister’s dilemma, compounded by shifting political sands.

Fresh from securing 62.15% of the vote during the May 2014 General Elections – a decline from 65.9% in 2009 – the ANC-led government had to craft a budget in an environment of growing opposition toward government policy, plans and resource management.

This highly competitive and charged political terrain has given rise to fierce interrogation and robust contestation over the ability of the budget, as the financial backbone for resourcing impactful implementation of the NDP, as an expression of the ruling party’s election manifesto.

This includes the ruling party’s alliance with the Congress of South African Trade Unions and the South African Communist Party, where there remains an ongoing battle of ideas and thought leadership to influence and shape policy and the ANC’s leadership of government.

Furthermore, with tough macroeconomic and fiscal policy measures owing to subdued economic growth, energy constraints and the financial condition of key state-owned enterprises, the Budget embodies government’s tussle to balance the interests of citizens, business, workers and investors, as well as rating agencies.

With rating agencies having their fingers on the button for the slightest inkling of anything that would trigger market risk and uncertainty, South Africa’s banking and financial services sector received a nod for its regulatory robustness as evidenced by the International Monetary Fund’s recent assessment of the country’s financial system.

continues on Page 30
Give yourself a future you can bank on

WHERE ARE YOU HEADING?
Career paths in banking

NQF 5
Sales Consultant, Bank Teller, Credit or Business Banking Assistant, Micro Finance Loan Officer, Cash Enquiries Clerk, Private Banking Assistant, Contact Centre Agent, Investment Administrator.

NQF 6
Sales Manager, Branch Manager, Junior Private Banker, Credit Manager/Analyst, Transactional Banker, Entry role in Corporate & Investment Bank.

NQF 7
Graduate Trainee in Banking or Investment, Specialist or management position in Business/Corporate & Investment Bank/ Retail Banking/ Contact Centre, Regional Manager, Private Banker

NQF 8
Graduate Trainee in Banking or Investment, Specialist or management position in Business/Corporate & Investment Bank, Provincial Manager, Departmental Manager, Private Banking Team Leader.

NQF 5
H Cert (Banking Services): Minimum duration 1 year
H Cert (Investment Administration): Minimum duration 1 year

NQF 6
Adv Cert (Banking Services): Minimum duration 1 year
H Dip (Banking): Minimum duration 2 years
Diploma in Banking: Minimum duration 3 years

NQF 7
BCom with major Banking, Credit or Investment Management: Minimum duration 3 years

NQF 8
PG Dip (Banking): Minimum duration 1 year
PG Dip (Investment Management): Minimum duration 1 year

Register now for Investment and Banking courses

Email us: Study@milpark.ac.za | Call us: 086 999 0001 | Visit: www.milpark.ac.za

Milpark Education (Pty) Ltd is registered with the Department of Higher Education and Training (DHET) as a Private Higher Education Institution (No 2007/HE07/003).
The Finance Minister publicly committed to table, during the course of the year, a bill that will establish two new regulatory authorities for market conduct and prudential regulation. These regulatory enhancement measures are aimed at fortifying supervisory capacity of the financial sector, given its high concentration and interconnectedness, as well as promoting greater action to treat customers fairly in accordance with the National Treasury’s recent market conduct policy framework.

Other salient features of the Budget 2015 include:

**Development finance institutions and enterprise development**
Part of state-led support for driving government’s economic transformation and development agenda is the expansion of lending by development finance institutions. Between them, the Industrial Development Corporation (IDC), the Development Bank of Southern Africa (DBSA) and the Land Bank will add R44 billion in loans over the next two years.

The newly established Department of Small Business Development will spend R3.5 billion over the next three years on mentoring and training support for small businesses. A review of provincial entities was also announced, aimed at enhancing the effectiveness and sustainability of these entities.

**Urban development and investment**
Government’s initiative to increase investment in cities by leveraging private-sector infrastructure finance is also aimed at boosting growth.

**Education**
Education remains the largest funded priority in the Budget – consistent with the trend since the dawn of democratic budgeting in 1994. The R36 billion committed to school infrastructure and the R197 billion toward higher and post-school education over the next three years underscore the significance of education as the most sustainable solution to overcoming poverty, inequality and meaningful economic participation in an ever changing global marketplace.

**Social spending**
In ensuring that the Budget strikes a chord with the priorities set out in the ANC’s 2014 Election Manifesto, and that these commitments are adequately resourced to overcome poverty, unemployment and inequality, 60% of the Budget is directed towards social spending.

**The role of banks and financial institutions**
While the Finance Minister has managed to pull off what is regarded as a delicate balancing act, the micro details of implementing government’s macro plans now shift to Parliament as a key political battleground on the Budget, through its legislative, oversight, public consultation and budget review mandate.

In an environment of slower state revenue growth and the constraints that this places on government’s ability to create work opportunities and broaden economic participation and inclusion, the banking sector’s contribution to socio-economic development and transformation is likely to be increasingly focused on the agenda of politicians to realise the lofty ambitions of the NDP.

In the current political and policy environment, this necessitates sustained efforts to enhance understanding of the work already undertaken and continued work by the banking sector to ensure responsible lending, inclusive banking, consumer protection and sound market conduct practices.

Parliamentary legislative and oversight processes that lend themselves to robust dialogue and engagement with the banking sector facilitate an environment for public consideration of these national interest issues.

As the representative voice of the banking sector, The Banking Association South Africa is strategically mandated and positioned to continuously cultivate an environment of trust that is conducive to facilitating open, robust and evidence-based dialogue and engagement with elected decision-makers.

Engagement and dialogue of this calibre is imperative for maintaining the South African banking sector as a consistent global top performer for stability, at a time of global financial and economic turbulence. It enables a constructive approach to legislative considerations capable of achieving a sound and appropriate policy and regulatory environment for doing sustainable banking that plays its role in national growth and development.

Abdul Waheed Patel is Managing Director and Wisahl Jappie is Political and Communications Advisor at ETHICORE Political Lobbying.
Helping you make the right decisions at the right time

Information is a powerful thing. And the right information—analysed by experienced people—can help all of us learn from the past, navigate the present and predict the future.

We’re more than just a credit bureau. We’re an information company committed to advancing our industry and facilitating commerce.

We offer clarity in the cloud of commerce, trust in the presence of scepticism and certainty in the face of the unknown.

That’s why we go beyond credit data—to offer the insights businesses need to make informed decisions and do great things.

VISIT US AT
www.transunion.co.za
or find us on

© 2015 TransUnion LLC All Rights Reserved
The South African Banking Risk Information Centre (SABRIC), on behalf of the banking industry, has intensified the fight against criminals.

This was evident when SABRIC recommitted to intensify the fight against bank related crimes with the South African Police Service (SAPS). The two entities reaffirmed and recommitted themselves to co-operating in the fight against bank-related and cash-in-transit crimes during a strategy session held early in March.

The long-standing relationship between the industry and law enforcement began in 2001, and will continue robustly as it implements initiatives and strategies for combating bank-related and cash-in-transit crimes.

The strategy also revealed that cybercrime was rearing its head in the industry, as billions continue to be lost through cybercrime, not only in South Africa but worldwide as well.

It is with this in mind that the industry and SAPS have released pictures of the 20 most wanted criminals. These criminals are wanted in conjunction with various bank crimes. "Our partnership with the SAPS is a crucial one in the fight against organised crime in this country. The banking and CIT sectors remain committed to supporting government in creating a safe and secure country that will create greater potential for economic growth," says SABRIC CEO Kalyani Pillay.

For 2015, SABRIC will embark on a number of public-awareness initiatives to educate the public about different bank crimes and how to protect themselves.

These campaigns will cover crimes, such as cybercrime and card fraud, as well as give advice on how to carry cash safely. One of the ways in which criminals illegally access bank customers' details is through phishing – a common method used by criminals to deceitfully obtain personal information – such as passwords, identity numbers and credit card details – by sending emails that purport to come from trusted sources such as banks. One of the ways in which phishing can be avoided is through the constant updating of software and not clicking on links in emails purporting to be from your bank.

Below are a few tips on how to avoid some bank crimes:

**ATM SAFETY**
- Always cover your pin by shielding the hand that is typing it, even if you are alone at the ATM.
- Never accept help, or ask anyone to assist you at the ATM. Rather go inside the bank for assistance.

**ONLINE SHOPPING AND MOBILE MONEY**
- Register for 3D Secure, otherwise known as Verified by Visa or MasterCard's SecureCode before making online purchases with your bank card.
- Be cautious of notifications that you have won any competitions, especially if you did not enter. Do not respond with any personal information.

**CARRYING CASH SAFELY**
- Carry as little cash as possible.
- Use alternative banking methods such as internet and cellphone banking.
2014 credit card fraud statistics

Worryingly, South African credit card fraud picked up by 23% in a year period, according to the latest report published by SABRIC. By Tamara Oberholster

According to the South Africa Banking Risk Information Centre (SABRIC), the banking industry’s gross fraud losses due to South African-issued credit card fraud increased by 23% in 2014, from R366.8 million in 2013 to R453.9 million. Debit card gross fraud losses rose 5% from R117.7 million in 2013 to R123.5 million in 2014. The majority of debit card fraud losses relate to counterfeit fraud (65%), followed by lost and/or stolen fraud losses (33%).

Credit card fraud by type

SABRIC says a drastic increase in false application fraud, from R6.2 million to R78.3 million (an astounding 1143%), is a major contributor to the increase in overall card fraud. “Criminals abuse online application channels and use false details to open multiple credit card accounts and in doing so, receive a legitimate card and PIN,” SABRIC explains in its 2014 report.

Losses related to false applications on credit card accounts accounted for 17% of the overall credit card fraud losses. Of all false application transactions, 88% occurred within South Africa.

Card Not Present (CNP) card fraud is still a major worry and contributed 42% of the total credit card gross fraud losses in 2014. Losses increased by 7% from R178.7 million in 2013 to R191.7 million in 2014. CNP fraudulent transactions generally take place when orders for goods are placed electronically, or purchases are made via the internet, by mail order or fax. A majority portion (64%) of all CNP credit card losses on South African-issued cards occurred outside the country.

Counterfeit credit card fraud losses decreased by 14% in 2014, contributing 27% to overall losses. Sixty percent of all counterfeit credit card losses occurred outside of South Africa, a decrease of 16% (from R89.3 million to R74.6 million). Although 40% of all counterfeit transactions occurred within South Africa, losses decreased by 12%, from R55.1 million to R48.4 million in 2014. SABRIC notes that counterfeit South African-issued credit cards are frequently being used by criminals in neighbouring countries, including Zambia, Zimbabwe, Botswana, Namibia and Mozambique, mostly in relation to fraudulent cash withdrawals at ATMs.

Lost and/or stolen credit card fraud increased by 64% from R31.7 million in 2013 to R52.2 million in 2014, accounting for 11% of total losses. Fraudulent spend with lost and/or stolen credit cards increased by 64%, with 79% of the transactions occurring in South Africa. SABRIC says that because of changes in business processes linked to chip and PIN cards, criminals have reverted to modus operandi such as “shoulder surfing”, card jamming and swapping. "Inevitably, this has led to a visible increase in lost and/or stolen card fraud, similar to the card fraud trends noted in the UK," the organisation says. “Lost and/or stolen card fraud is currently at the highest level in five years.”

SABRIC lists various industry measures aimed at reducing card fraud, including protection of client data, improvement of internal systems and processes, sharing of information and crime awareness.

It notes that South African banks are continuously investing in new technologies to assist with the detection, prevention and reduction of bank card fraud, and that crime trends are followed closely and adjustments to monitoring systems are made to mitigate associated risks.

SABRIC also urges banks to encourage customers to utilise SMS notifications for transactions on card accounts.
Contactless payment deployment – which route will you take?

Once the context and objectives have been clearly defined, and the decision to deploy contactless payments has been taken, you will most likely find yourself considering, “How do I get started?” There are essentially two alternate routes. By Benjamin Binet

**Route 1: Do it yourself**

This approach means not engaging a specific deployment partner. For those following this path, the question quickly arises, “Which of my customers should I target?” From our observations, there are two different ways to address this question.

One approach is to choose no customer segmentation at all, based on the objective of having contactless as a standard in all future payment card and Point of Sales (POS) terminals. The decision here is to convert all card portfolios into dual interface cards, and let the contactless technology be introduced systematically as soon as a card is renewed.

Issuers with this strategy often opt to promote the new contactless card simply as a new feature of the same card. This approach relies on the principle that the more widespread, the more widely used.

An opposite approach is the extensive segmentation of users. The key reasons for choosing this roll-out strategy are to test the reaction and adoption rate on a limited sample of consumers before deploying widely, and to reach a predefined objective of card usage. As the POS terminals in the field may not all be contactless, there could be risks associated with deploying cards extensively and simply waiting for transactions to start rolling in.

The preference is to target consumers who will have the opportunity to be in contact with the existing contactless terminals instantly. This will lead to higher card usage rates and a higher number of contactless transactions.

**Route 2: Join forces**

Even though it might present some advantages to be the sole decision-maker, issuers often prefer a partnership approach for contactless deployments. Costs can be shared to limit the investments for the issuer, communication campaigns can be wider, meaning stronger impact on the brand image, and benefits arise from deploying in a more limited environment where the bank’s customers will be in contact with the partner’s contactless acceptance points.

Finding the right partner is critical. It is vital to find the partner who will contribute the most in launching your contactless payment cards successfully on the market. This partner should also benefit from the value proposition of contactless payments, such as speed of payment transactions or the reduction of cash handling.

We have observed three main partnership types:

1. **Partner programmes with transport authorities:** Transport, with its small value tickets and requirements of high throughput at gates, is the perfect fit for contactless technologies. Thus, transport authorities in many countries have already adopted contactless payments.

2. **Co-branding programmes with one specific retailer:** The retailer ensures that contactless POS terminals exist; the bank ensures that the retailer’s customers hold contactless payment cards. Cardholders benefit from loyalty programmes or rewards, ensuring higher adoption and usage.

3. **Affinity card programmes, in partnership with small-scale clubs or communities:** With an affinity card, such as a football club card or a tourist card, the card usually comes with tangible benefits for the cardholder, such as specific discounts or fast-lane access to tourist zones.

There are no correct or incorrect implementation strategies. Just choose one that suits you and your needs best.

---

**Benjamin Binet**

is VP Southern Africa at Gemalto
If you’re looking for examples of great leaders, read a newspaper.

If you’re looking for examples of great leaders and what makes them great, read Business Day.

More than news.

Everybody talks about leaders. But with four new sections, including leadership, as well as insightful analysis and expert opinions from the best journalists in their field, nobody talks about leaders quite like us.
The 15th annual Payments, Banking and Retail Show promoted opportunities in the African payments, banking and retail sector.

The 2015 Africa Payments, Banking and Retail Conference and Exhibition took place on 10 and 11 March at the Sandton Convention Centre. The event addressed pertinent issues that affect the industry across Africa, with leading experts at the conference providing insights and solutions for banks, retailers, developers, government and investors.

Cards & Payments Africa – co-located with Retail World Africa, Future Bank Africa, The eCommerce Show Africa, The Cash Handling Show Africa and the Mobile Show Africa – exceeded many expectations and saw increased growth in terms of the quality, scale and experience of the overall conference and exhibition. The 2015 edition of Africa’s Payments, Banking and Retail Show proved to be innovative and thought-provoking, due to the new concepts that the team implemented for the 2015 event. The event attracted over 70 sponsors and exhibitors, including some newcomers to the event. International exhibitor participation increased from 2012, demonstrating the opportunity and attraction that Africa holds for international businesses looking to grow their business and optimise their banking, payments and retail presence within the African region.

This foremost conference and exhibition for industry leaders explored and revealed new innovative strategies within Africa. Speakers, delegates, sponsors and exhibitors benefited from valuable and stimulating agendas focused on new innovation within the payments, banking and retail sectors, African expansion and market growth, as well as the latest opportunities and trends that continue to grow and develop Africa’s emerging aforementioned sectors.

With a dedicated exhibition hall filled with sponsors and exhibitors, the two-day exhibition attracted over 2,500 visitors, participating in over 70 free seminar sessions, dealing with topics on Africa’s payments, banking and retail industries. We are certain this number will grow in 2016. While increasing our numbers is always vital, we continue to be committed to focusing on attracting a high-quality level of attendees coming through to the show. In 2015, our attendees were a confirmed 70% of senior-level executives from Africa’s payments, banking and retail sectors.

In addition to the industry-led conference and array of free seminar sessions, a host of launches, prize giveaways and networking opportunities tied the event together. After the scrupulous business meetings and discussions during the day, on Tuesday 10 March, we invited all event attendees to stay and enjoy the delights of late afternoon drinks and canapés.

For more information on getting involved in next year’s event, contact Anea Burke le Roux at +27 (0)11 516 4043 or anea.burke@terrapinn.com

Media contact:
Bianca Wiener
Marketing Director
Tel: +27 (0)11 516 4016
Email: bianca.wiener@terrapinn.com
Event website: www.terrapinn.com/cardsafrica
TFSAs: Encouraging new investors

Given South Africa’s poor savings statistics, the National Treasury introduced tax-free savings accounts (TFSA) on 1 March 2015 in an attempt to encourage savings and reduce the depredations of retirement funds by debt-riddled consumers. By Gwen Watkins

The preservation of retirement funds is critical to the long-term stability of the South African economy,” explains Kelsy Moodley, Actuarial Analyst at Alexander Forbes. “When one looks at the numbers of our fund members who have resigned or were dismissed over the period from 01/10/2013 to 30/09/2014, only around 11 in every 100 of those exits preserved their funds. In other words, around 94 000 people risked their future for current needs. We expect these figures are similar throughout the retirement-fund industry.”

Moodley notes that because of its broad nature, the TFSA is simply a “wrapper” that can include a variety of underlying investments, such as unit trusts, exchange-traded funds and life-insurance contracts. “Each of these products has its own rules about charges, restrictions on asset holdings, and so on, so depending on the underlying asset that is selected, the TFSA can have different restrictions on the assets that can be held (for example, maximum amount of equity holding),” she says.

“However, the TFSA is governed by some rules that may override the rules of the underlying investment – for example, in draft regulations it was stated that products with performance fees would not qualify for these accounts. Fees on TFSAs are to be simple and transparent to ensure that consumers have a better understanding of what they are paying for. All earnings within the account are free from tax, including dividends.

“Contributions will be limited to R30 000 per year and a lifetime limit of R500 000, meaning that no person may ever contribute more than R500 000 to such an account. Now, contribution caps are not expected to increase over time, but we are awaiting final regulations on the operation of TFSAs.”

Moodley points out that if individuals contributed the maximum amount over the period of just over 16.5 years, this could accrue almost R900 000 more than they would have earned in typical balanced funds that attract tax under the existing tax structure. This could then become a substantial payout for property, education or leisure options,” she says.

“The financial services industry is hoping to retain investments within current retirement funds and see a substantial increase in other retail products over time. The TFSA could be attractive to middle-class consumers who wish to save for specific goals without incurring tax penalties. Some of the possible sources of excess funds include 13th cheques and inheritances. It also benefits those individuals who do not have tax advisors in finding an investment that does not add to their annual tax assessment burden.

‘Around 94 000 people risked their future for current needs.’

“For the financial-services industry, this is an opportunity to educate consumers on the benefits of leaving their retirement funds alone and using the TFSA for emergencies, if the need arises. The TFSA has the advantage that there are no limits as to when one can draw or how much can be withdrawn at any one time. This makes the account more fluid and responsive to clients’ needs.”

Moodley concludes: “The challenge will be to encourage low-income earners and non-savers to undergo a mind shift from living for today, to saving for tomorrow.”

KELSY MOODLEY

is the Actuarial Analyst
at Alexander Forbes
South Africa’s FIRST true online shuttle reservation and confirmation system.

Office Hours 8:00 - 17:00 +27 21 551 8785
After Hours 17:00 - 8:00 +27 82 951 3646

808 Cartwright is inviting, comfortable, convenient and tastefully decorated to compliment both the modern city life as well as its historic surroundings.

“A STYLISH HAVEN”
~ RATES from R 700.00 per night (maximum 2 people)~
What’s the bother about Bitcoin?

Bitcoin is the anti-currency which has adopters rubbing their hands, as much as it has regulators scratching their heads – but nobody’s quite sure if it’s the currency of the future, yet. *By Trevor Crighton*

Bitcoin – a decentralised virtual currency which allows for international transactions without banks, buyer and seller names or traditional financial regulations – itself doesn’t actually exist. The only quantifiable element is a transaction record generated once bitcoin are sent and received. When you transact with bitcoin, you’re not actually exchanging a currency – you’re shifting value around.

Unleashed on the web by Santoshi Nakamoto in 2009, the Bitcoin protocol dictates that there can only ever be 21 million bitcoin in circulation at any time. The theory is that this is a built-in value stabiliser, but the currency’s value crash from $1200 to $250 during 2014 was an indication of the exact opposite – the incredible volatility that makes it an inefficient transactional tool, but a weak investment.

South African online-payment enabler, PayFast, is the first local company to offer bitcoin as a payment option. By extension, its clients like Takealot can now take advantage as well. PayFast itself partnered up with bitcoin exchange BitX to facilitate rand-based payments for products and services.

“*We are at very early days of development with Bitcoin and it would be foolish to ignore [its] potential…’*”

PayFast Head of Marketing Werner van Rooyen explains: “Bitcoin is stored in a wallet. While most consumers receive bitcoin into their wallets either by buying bitcoin or getting it transferred there from another wallet, the PayFast system allows them to send their bitcoin to a wallet managed via the partnership with BitX, where it is instantly converted into the rand equivalent, which PayFast then pays over to the merchant. With our partnership with BitX, the risky elements of accepting bitcoin are taken out of the equation, but with the benefits of speed and low fees.”

It’s easy to get mired in the technicalities of how Bitcoin (the protocol) and bitcoin (the currency) work, but Van Rooyen says that shouldn’t be a detracting factor. “My personal opinion is that the Bitcoin protocol shouldn’t be the consumer focus or concern: people make countless transactions each day using methods that just work. Few people understand what happens when someone swipes a credit card and just exactly how the value...”

*continues on Page 41*
Get your brand ready for the shift to mobile.

Will your brand be ready when customers stop reaching for their wallet, and start reaching for their phone?

YOUR BRAND. YOUR CUSTOMER. YOUR MOBILE WALLET
We handle the rest

**Wallet One**’s White Label platform gives your brand all the tools you’ll need to take advantage of the shift to mobile. And it’s not just about payments. It’s about data, analytics, integrated loyalty, campaigns and more.

Juniper Research predicts mobile payment consumers will almost double within the next three years up to 450 million mobile payment consumers by 2017.

Total customer and technical support

With Wallet One White label you will enhance mobile banking loyalty and protect your customer’s valuable transaction data by adding mobile wallet and cardless cash access functionality to your existing service offering.

Turnkey Technology Platform enabling value-added digital wallet and mobile payment services.

Wallet One is one of the pioneers and a market leader in e-commerce and e-payments. We have been processing payments for over 10 years already and are present now in 12 countries globally. We always try to stay one step ahead of the market and promote new technologies. The experience gained over the years and multiplied due to our international activities, constantly improve the technology and adapt the product in accordance with the rules of international payment organisations.

The W1 Payment System is one of the fastest growing international payment systems (the project showed the highest growth rate among other payment systems in the CIS in 2012 and 2013).

Telephone: +27 12 003 2892
Email: info_sa@walletone.com
Website: www.walletone.com
is transferred from the buyer’s card to the merchant’s bank account, but the potential of the network is truly immense.”

Van Rooyen says that although Bitcoin remains a developed-market solution, it’s important to remember that the technology is still in its infancy. “The internet also didn’t just pop up overnight and had its own share of crashes and criticisms. We are at very early days of development with Bitcoin and it would be foolish to ignore the potential that it has to offer. On the other side of the argument, I also think that a lot of people got slightly carried away, expecting the value of cryptocurrencies to go to the moon and that their investments would just keep growing. A lot of people were looking for a revolution, whereas Bitcoin, as with all technological advances, is ultimately an evolution.”

In terms of the South African context, Van Rooyen sees cryptocurrency networks like Bitcoin as a potential solution for the unbanked, once the applications that allow access make things more user-friendly.

“The World Bank estimates the remittances market to be $540 billion by 2016. Bitcoin allows for the transfer of value at a fraction of the cost – currently estimated by the World Bank at 8% of the amount sent, whereas with Bitcoin it is usually between 0 and 1% at present. Transactions also take minutes, rather than days,” says Van Rooyen.

Another area Bitcoin could assist with is low-value payments. “It costs merchants a fair amount to allow their customers to pay them using the card networks. There’s a fixed and a variable amount that merchants have to pay on each transaction. For smaller entrepreneurial ventures, those fees are in the 3% – 4% range, with some fixed costs associated with those transactions too, which ultimately just get paid by the consumer. This often makes it unsustainable or very expensive to complete low-value transactions using current mechanisms – a problem eased with Bitcoin’s low administration costs. Costs come into play when Bitcoin is “mined” – effectively verifying the transactions – in a mathematically complex process which sees miners competing for bitcoin rewards, in exchange for verification. Van Rooyen says that once systems like the PayFast offering make Bitcoin more accessible, it’s only a matter of time before more people in business, banking and finance see what potential it holds. “Using the Bitcoin network, we can utilise the technology and give consumers the choice of how they want to pay, without necessarily needing to take a position on the cryptocurrency or being tied to any of the fluctuations,” he says. “We couldn’t predict what the internet would ultimately become and I think the same can be said for cryptocurrencies. Some of the smartest people in the world are working on and funding the building of amazing solutions using cryptocurrencies. It would be foolish to deny the potential that it has.”
Islamic banking needs some tweaking

Wanting to bank in accordance with her religious beliefs, Muneera Davids sought an Islamic bank account that would meet her needs. She has yet to find one, however, and has settled for a traditional product instead.

By Tamara Oberholster
Muneera Davids, a Capitec customer living in Cape Town, originally had a student account with Standard Bank. When she began working after qualifying, however, she changed to an Islamic banking account with Absa.

“YI thought this would afford me the chance to bank in accordance with my religious beliefs,” she says. “However, the monthly banking fees were so much that I decided to move to a new bank yet again. Everything costs money – swiping at a till, using the ATM, requesting a statement. It was just too much.”

Davids opened an account with Capitec and currently makes use of the bank’s Global One card, although she retains an Islamic Target Save account with Absa for long-term savings.

“Since I have been with Capitec, my monthly banking fees have dropped drastically,” she says. “Besides the lower cost of being with Capitec, the ease of use is amazing. I use internet as well as mobile banking. The security provided by the OTP tag that I carry with me ensures that I don’t have to be paranoid about security.”

“The most impressive part of all is the excellent customer service. Whether in-branch or through their call centre, I am always assisted efficiently and with clarity. I’m never left wondering what I just agreed to or how the situation is progressing. I have never had to follow up with Capitec on any queries either, as they get resolved immediately or they call me within two days to update me. I must say that I have never been more impressed by any kind of service provider in South Africa than I have been by Capitec.”

She explains that although her Capitec account is not an Islamic product (i.e. there is interest earned on her Global One account), she donates the interest earned to charity. “Capitec has very good interest rates, but unfortunately I am not able to use that money for myself,” she says. “If another bank can offer me a Shariah-compliant banking solution, with the same kind of service and fees Capitec offers, then maybe I will switch again.

‘Personally, while fees are important and I do not want to pay high bank charges, that extra mile that Capitec goes for their clients, as well as their excellent social media interaction, just makes the whole banking experience that much more pleasant.’

But for now, I am very happy at Capitec and it will be difficult to convince me to leave. It would be amazing if Capitec could start offering a Shariah-compliant product, even if it is only for long-term savings like the Target Save at Absa.”

Charl Nel, Head of Communications at Capitec, says that he is impressed with the creative way in which Davids approaches life. “It’s something we notice with many of our clients,” he says. He adds, however, that Capitec has no plans to offer Islamic banking products in the near future. “Our approach is to simplify. We do not differentiate between clients and thus do not plan to offer different packages to different clients. Although we accept that this will not satisfy everyone in the market, we firmly believe that it’s an integral part of our success.”

Davids believes that bank consultants need to understand Islamic products better, and that there is a need for a wider range of Islamic products that offer similar benefits to traditional banking offerings. “The ‘bigger’ banks in South Africa should take note of how Capitec handles their clients and the kinds of services they offer,” she says. “Personally, while fees are important and I do not want to pay high bank charges, that extra mile that Capitec goes for their clients, as well as their excellent social media interaction, just makes the whole banking experience that much more pleasant.”

Uwaiz Jassat, Acting Head: Absa Islamic Banking, says that the pricing structure of the bank’s Islamic offering is in line with that of Absa’s conventional products. “With regards to costs, Absa Islamic banking is on a drive to ensure that Islamic banking does not cost more than conventional banking,” he says. “We believe in ‘pure Shariah banking at no extra costs’.

Jassat believes that Islamic banking is set to boom across the globe, South Africa included. “In South Africa, Islamic finance is relatively new, so the challenge of education and awareness is significant,” he says. “Absa has been instrumental in trying to address this and is constantly engaging with the market through various initiatives, such as customer forums.” As an example, he says that Absa Islamic Banking joined the Teach Children To Save South Africa™ (TCTS SA™) campaign, educating Muslim children about the principles of Islamic banking.

The bank also has other Islamic products currently in development. “Over the past eight years, Absa has developed solutions for customers across the various segments, but our journey has just started,” says Jassat. “Our objective is to provide products and solutions to our customers that will ensure that they can holistically bank in a Shariah compliant manner. An example of this is that we are the only financial institution that can not only finance a vehicle, but also at the same time provide the insurance cover for it. Our Commercial Property Finance product is in the final stages of production. Our expectation is to launch this product within the next few months and thereafter we will look to launch an Islamic home loan product. All our product development is done with the customer at the heart to ensure that we add value to our customers in enabling them to prosper.”
**Banker SA** is a quarterly publication, published in January, April, July and October

To advertise in Banker SA or to subscribe, please contact Andrew Green at: andrewg@picasso.co.za

Tel: 021 469 2400 (switchboard) • 021 469 2469 (direct) • Cell: 061 915 8191

---

**Leveraging Mobile Technology for financial inclusion**

*Exploring the opportunities mobile communication creates for the financial services industry.*

**Venue:**
The Boardwalk Hotel, Convention Centre and Spa, Port Elizabeth, South Africa

**Registration Fees:**
- Early Bird registration (before 30 June 2015) **R6 750**
- Normal Registration (before 31 July 2015) **R7 750**
- Late registration (after 31 July 2015) **R8 850**

For more information visit the website [www.unisa.ac.za/ifs](http://www.unisa.ac.za/ifs)
Entrepreneurship runs in the family

Sizakele Majola is proudly following in her mother’s footsteps with help from TUHF, as she makes a success of her Hillbrow apartment-rental business. By Tamara Oberholster

Sizakele Majola works at the City of Johannesburg Emergency Services. She’s also a successful entrepreneur, thanks to a loan from TUHF, an independent, registered, non-banking financial-services provider with a 12-year record of financing ordinary South Africans and SMEs to regenerate derelict buildings in the inner cities of South Africa. TUHF’s loan and support allowed Majola to renovate Minfield Flats in Hillbrow, where she now leases out accommodation.

Majola discovered the building in July 2013. At the time, it was in a state of complete disrepair. Because her mother had a project funded by TUHF, she knew about the organisation. “I would drive my mom to events hosted by TUHF,” she says. “Of course, while I was there, I listened to what was going on and what was being said. Now I am a TUHF client myself.”

When she discovered the virtually hijacked Minfield Flats building on the corner of Banket and Kapteijn Streets, she saw past the rubbish filling the building’s passages and knew it had potential. Majola had saved R300 000 from the sale of two properties in Tembisa and was looking for a new project. She approached TUHF, and so began the process of buying the building, fixing it up and turning it into a sustainable investment prospect.

Majola paid R1.8 million for Minfield Flats and budgeted R650 000 to renovate it. Today, she rents her 29 units for between R1 300 and R2 300 per month (for the 12m² and 18m² studio flats respectively), and R3 500 for the three small ground-floor spaza shops.

“[Hillbrow] is one of the hardest places in the city in which to do business.”

Majola’s loan officer at TUHF, Rekwele Mmatli, helped her through each stage of the project. “TUHF was realistic,” she says. “They helped me to plan what the building would cost to renovate, what all the other expenses would be and what cash flow I could expect.”

TUHF also advised Majola on the trickier processes involved in having the building vacated so that the builders and renovators could move in to start renovations. Working through the Housing Tribunal, an eviction order was obtained and executed.

By July 2014, the once dilapidated flats had been transformed. Immaculate Painters & Construction had just a month to transform Minfield, including getting rid of a passage that ran from the front of the building to the rear and that served no real purpose other than to provide dark recesses that undermined the building’s security. The space claimed from the passage was used to enlarge the apartments. Communal sinks and shelves and bathrooms were also installed for each group of four flats.

Majola’s Minfield project has created opportunities for others too, from the team of builders that undertook the renovation to its three full-time staff members, who have employed since July 2014 (a security person, a cleaner and a caretaker).

“This is one of the hardest places in the city in which to do business,” Majola says of Hillbrow. “But you can make money if you manage and control the place properly, and make sure that your tenants feel they are living in a good, secure place and that they are being well looked after. TUHF have looked after me exceptionally well – especially the CEO, Paul Jackson, and my loan officer Rekwele Mmatli. I intend to look after my building and my tenants just as well.”

Sizakele Majola's Minfield Flats building in the heart of bustling Hillbrow.
Over the past 20 years, the government has not been perceived as having much interest in the SME sector of the economy. Yet SMEs contribute as much as 45% to the GDP of the country and slightly in excess of 50% of total employment. Given the abnormally high and unacceptable rate of unemployment in South Africa, one would expect this to be a priority.

A fair amount has been done over the past two decades to provide support in the form of the National Youth Development Agency (NYDA) and the Small Enterprise Development Agency (SEDA), to name just a few. However, these agencies have not been as successful as hoped, as is evident from the research conducted by the Global Entrepreneurship Monitor (GEM) in South Africa.

‘Our rate of discontinuance of businesses is higher than the rate at which businesses are started.’

Early-stage entrepreneurial activity has remained very low (between 6% and 10%) since 2001 when the studies began. Studies in the rest of sub-Saharan Africa show that our levels of activity are about a quarter of countries like Nigeria, Ghana, Angola, Uganda, Malawi and others, and a third of the level of countries in South America. Even more disconcerting, our rate of discontinuance of businesses is higher than the rate at which businesses are started – we are essentially going backwards. The situation is getting worse, not better.

Preliminary results show a significant drop in the activity rates in 2014, which is worrying. Youth unemployment stands at more than 60%, with certain areas in South Africa in excess of 80%. This is not to say that South Africa is unique – many developed countries (especially those in Europe) are facing similar problems, although not to the same degree.

Just under 12 months ago, the new Ministry for SME Development was formed under Minister Lindiwe Zulu. It remains to be seen whether she is able to bring about the much-needed changes and inject life into this vital sector. By Dr Michael Herrington
'South Africa has fantastic entrepreneurs who are world class, and leaders who have come up with remarkable innovations that have changed the world. We need more of these people and we need a climate that encourages them to innovate and stay in the country.'

Africa, and especially South Africa, is faced with two possible scenarios. The first is that we are sitting on a gold mine if we can harness the power and intellectual capacity of the youth. The second is that we are sitting on a time bomb. The outcome is largely dependent upon what the government does and how it reacts to the situation.

When the new Ministry for Small Business Development was started, it seemed as though the government was reacting positively and that there was light at the end of the tunnel.

The Minister is faced with many challenges, however, and it is uncertain whether she has the experience, drive and willpower to tackle the problems or not.

The main factor affecting entrepreneurial development in any country is education. It has been shown that there is a direct correlation between entrepreneurial activity and the level of education. South Africa has one of the lowest standards of education in the world and was recently rated 144th out of 144 countries by the 2015 Global Competitive Index (GCI) report in Mathematics and Sciences. Whether the Minister has enough power and influence to help fix this remains to be seen.

There are not many small businesses that do not believe the regulatory environment is a major inhibitor to business development. There are numerous examples of best practices in countries around the world and GEM has access to these. Great examples can be found in Chile, Israel, Mexico and China. To date, no one from the Ministry has contacted GEM to see if we have anything positive to contribute. We are, however, working closely with the Western Cape Government in developing a small business strategy.

Another factor influencing and inhibiting entrepreneurial activity is onerous labour laws, particularly with respect to hiring and firing procedures and relations with the unions. This needs to be addressed before small businesses will actively employ people – they cannot afford to have employees who are not fully productive and then are unable to get rid of them because the procedure takes months and is extremely costly.

There are many other factors currently inhibiting business development that need fixing. The question is whether the Minister has enough influence and power to convince ministers in other departments to change strategies and whether her department has the necessary experience to follow through. Or will it just be another NYDA that has essentially achieved nothing except spend a lot of government money?

The outlook does not seem encouraging, in spite of the rhetoric of the present government. The current electricity crisis does not help businesses and discourages investment from overseas. No longer is South Africa the gateway to Africa or the number one economic power as it was several years ago.

Nigeria has now taken this place and countries like Ghana and Uganda are coming up quickly. Unless major changes take place and agencies/ministries are staffed with competent, experienced personnel and not political or nepotistic appointments, nothing is likely to change. South Africa has fantastic entrepreneurs who are world class, and leaders who have come up with remarkable innovations that have changed the world.

We need more of these people and we need a climate that encourages them to innovate and stay in the country. We must all remember we are facing an unemployment crisis and it is not the function of government to provide employment, but to provide a climate that is conducive to starting new businesses. It can be done with the right strategies, the right motivation and the right willpower. We live in a beautiful country and have all the resources to make it great.

---

DR MICHAEL HERRINGTON is the GEM Team Leader for South Africa, located at the Faculty of Commerce, University of Cape Town.
TCTS SA™ TRANSFORMS INTO

StarSaver™

After eight successful years in which 3000 schools and approximately 1.2 million learners were reached through the Teach Children to Save South Africa™ campaign, The Banking Association announces an exciting revamp of this necessary and relevant generic financial literacy programme.

In an effort to connect with, and inspire our learners in the best way possible, the Teach Children to Save South Africa™ (TCTS SA™) programme was re-branded to, StarSaver™. This puts the young saver at the centre of the brand, profiling him and her a saving star and a star of life. The new brand logo includes the wealth cycle and brand ambassadors — stars in their own right - such as Proverb, Mpumi Mbethe and Sibusiso Vilane. Two new stars will be added this year to make it 5 shining stars.

The new brand was officially launched at an event held at The Big Hole Diamond Museum in Kimberley on 9 March 2015. The website has been made very user-friendly, making it more exciting than ever for learners to use and connect with the programme. As before, the programme can only be successful if professionals in the financial services sector volunteer their time to share their expertise — 67 minutes to be specific, in support of Mandela Day. The programme focuses on grades 7 to 9 as directed by the Department of Basic Education - Economic Management Science subject. This year we also introduced the first ever FinLit Spelling Bee of StarSaver™.

Ms Fikile Kuhlase, Senior General Manager, Financial Inclusion Division of The Banking Association South Africa says: “We invite our colleagues in the financial sector to become involved in this rewarding initiative. It is quite easy — visit the new website at www.starsaver.co.za, click on the Volunteer button, register and download the lesson plan Toolkit. This toolkit also contains the letters and other material to introduce you to your school of choice, as part of the StarSaver™ programme. This page also has a feedback form which helps us a lot to get the volunteer’s insight after the lesson as well as the learners and educators insights.

‘LESI’ - Learn, Earn, Save, Spend and Invest is the health cycle advocated by StarSaver™.

www.starsaver.co.za
Changing SA’s future financial landscape

Given the high number of South Africans living in debt, it is clear that consumers need to be encouraged to adopt wiser spending habits. This is the aim of StarSaver™ (formerly Teach Children to Save South Africa™) which, this year, was launched during Global Money Week (9 to 17 March 2015) in the Northern Cape. By Lisa Witepski

Fikile Kuhlase, Senior General Manager of the Financial Inclusion Division at The Banking Association South Africa, explains that this year marks the initiative’s eighth anniversary. “The programme has been very successful. It was – and remains – the first collaborative initiative in the otherwise competitive consumer financial education space,” she says.

It has proved so impactful that it’s now integrated in schools’ curricula in Grades 7 to 9, as part of Economic Management Science. Lessons are designed to help children grasp the principles of budgeting, differentiate between wants and needs, set financial goals and adjust their expenditure, appreciate entrepreneurship and understand the wealth cycle.

This year’s campaign, themed “21 S/Hero – From Minor to Major: Unlocking Our Financial Freedom”, has been developed around 10 core messages, designed to resonate with the target market and driving the core objectives of the programme: fostering a culture of saving; promoting volunteerism; creating awareness of the value of money and the importance of saving; promoting financial literacy; and assisting learners to appreciate the power of choice.

The Banking Association South Africa is the custodian of StarSaver. Kuhlase says: “It’s about driving behavioural change by influencing knowledge and attitudes, whilst building skills around financial decision-making and money management.” She adds that this is important, as financial literacy is key for financial inclusion.

With this in mind, part of this year’s planned activities included the inaugural Finlit Spelling Bee, which was hosted during Global Money Week and beyond. Children enjoyed learning more about the SchoolBank, an initiative which gives them first-hand experience of the banking process, thus demystifying banking.

A series of bank visits took place during the campaign week, while radio, TV and print media campaigns and school visits drove awareness around the aims of StarSaver, with the week ending in a celebration of Aflatoun International Day on 17 March. Aflatoun is a child social and financial education initiative operating in 103 countries.

Kuhlase notes that, during the eight years since StarSaver was first rolled out, the programme has successfully reached over 1.2 million learners in over 3 000 schools. Many more have benefited through the programme’s integration with other employee volunteerism and financial education programmes.

“To date, 21 banks and 43 financial institutions have taken part through staff volunteers,” Kuhlase comments. “We’re proud that the programme continues to evolve and develop as we experiment with innovative forms of financial education. For example, in 2014 we launched the EduCamp, featuring financial literacy games, story-telling and cinema. We also spread the message through industrial theatre. To further amplify the message, we have celebrity Programme Ambassadors: ProVerb, a hip-hop artist, radio and TV personality and Idols SA presenter; Sibusiso Vilane, the first black African to summit Mount Everest; as well as Mpumi Mbether, a radio and TV personality.”

With the successful programme launch in the Northern Cape this year, its upward trajectory is assured – and with it comes a better chance of financial security for our nation.

Winners: ZANDILE XWETU from Thabane High School (second); NORMAN MABOTE from Kimberley Boys High School (first); MS SIBIYA Chief Director, Northern Cape Department of Education; and LWANDA ALBANIE from Kimberley Boys High School (third).
Educating SA on Islamic finance

The banking sector is gearing up to serve Islamic customers in South Africa, meaning financial services professionals need an understanding of Islamic finance.

By Tamara Oberholster

Islamic Banking made its appearance in the 1970s and subsequently, over the years, Islamic financial institutions have grown rapidly, grossing annual growth rates in excess of 15%. Post the global economic meltdown in 2007/2008, there has been a worldwide interest in Islamic banking and finance.

According to Regent Business School in Durban, currently the only educational institution in South Africa to offer a Higher Certificate in Islamic Finance, Banking and Law, Islamic finance derives its intrinsic strength from the moral precepts embodied within the Islamic tradition, which is consistent with the principles of the Shari’ah (Islamic Law).

Regent Business School says Islamic products are proving to be competitive since they focus on ethics, and are fast attracting not only Muslims, but non-Muslims as well.

In South Africa, initiatives have been put in place to facilitate Islamic banking and finance. Tax laws have been amended so as to attract petrodollars from the Middle East countries, and it is hoped that South Africa will in due course become the hub of Islamic banking on the African continent as a whole.

In the wake of the projection that South Africa’s debt will hit 44.3% share of GDP by 2016, South Africa launched its first Sukuk (Islamic bond) late in 2014. The aim is to diversify its debt obligations, bearing in mind that such a bond is Shari’ah compliant in that it is interest free.

‘In the wake of the projection that South Africa’s debt will hit 44.3% share of GDP by 2016, South Africa launched its first Sukuk (Islamic bond) late in 2014.’

The overwhelming demands for Islamic windows in the conventional banks have resulted in an increasing demand for professionals to be conversant with the principles and intricacies of Islamic banking and finance. Today, over 40 universities around the globe are offering programmes in Islamic banking and finance. Regent Business School anticipates that in due course it will be in a position to offer postgraduate studies in Islamic Economics, Banking and Finance.

Currently, its one-year Higher Certificate in Islamic Finance, Banking and Law is designed to provide students with a sound understanding of the discipline, equipping them with basic knowledge and skills in a wide spectrum of Islamic fiscal and legal thought, in order to enhance their understanding of the practical relevance of Islamic economic enterprise in a secular state.

According to the Regent Business School, the seven modules of the programme are relevant both to students with existing Shari’ah knowledge, as well as the candidates from other religious traditions.
ADD **POWER** TO YOUR **NAME** with a **REGENT MBA DEGREE**

Wherever you go, your name will always be the most important thing you carry with you. With a REGENT MBA Degree you can add power to your name and the title you’ve always dreamt of.

**REGENT Business School**

**MBA MID-YEAR REGISTRATION NOW OPEN**

www.regent.ac.za

**JOHANNESBURG:**
[T] +27 (0) 11 482 1404 [E] mbajhb@regent.ac.za

**DURBAN:**
[T] +27 (0) 31 304 4626 [E] mba@regent.ac.za

Follow Us:

Accredited by the Council on Higher Education (CHE) and Registered with Department of Higher Education and Training (DHET). Registration Number No. 2000/HE07/012
JOBURG → ABU DHABI

Flying 7 times a week, with more connections to the Middle East, India and Asia – BOOK NOW

With a direct flight between Johannesburg and Abu Dhabi you’ll be enjoying shimmering turquoise waters, a thriving business hub and some of the world’s greatest landmarks in no time. Starting 29 March 2015, travel from Johannesburg to Abu Dhabi and connect to an extended network including the Middle East, India and Asia.

Book now and earn double Voyager Miles when travelling beyond Abu Dhabi on Etihad Airways operated flights for the period 15 April – 31 May 2015.

Go to flysaa.com, call +27 11 978 1111, or contact your nearest travel agent to book.

Bringing the world to Africa. Taking Africa to the world.
The rise of mobile payments and digital banking in Africa

It’s estimated that 2 billion people who currently don’t have a bank account will be served by mobile by 2030. By Craig Leppan

While a digital solution such as Bitcoin, where card and banking fees do not exist by design, might seem like a banking option for the poor, Bill Gates is sceptical. He says we need to draw on the revolution of Bitcoin, not on the currency itself. He has cited Bitcoin’s inability to reverse or recall transactions as key issues, as well as the daily value fluctuation. Gates, though, has already been supportive of the big mobile money story in Africa: M-Pesa.

The question is: who will land a real mobile money ecosystem that means you can leave your cards and cash at home and survive a day with mobile money? And, of course, who specifically in South Africa?

We have seen a number of mobile-payment apps appear in the last 18 months, but they are mostly vendor-specific and a closed ecosystem. Zapper works at Europa and some pizzerias, while FlickPay is covering Vida and a few others. These mobile-payment apps only work at their specific merchants, and the coverage isn’t always good across the whole restaurant network.

SnapScan has done well to issue a very large new merchant base with a low-tech QR code, but it’s not integrated into the point-of-sales (POS) of large merchants, where we would want it to work for everyday mobile spend. WiGroup has done a great job of establishing an open platform to a large number of POS systems, and Mobile Money from MTN works extremely well in this ecosystem, but it’s just not mainstream enough for the average Joe.

M-Pesa SA has relaunched with Vodacom and is operated by Bidvest Bank. I’ve tried to enrol for M-Pesa locally, but I found it to be offline a lot and have all but given up even trying to test it. It should be a big success here, but something isn’t firing.

Locally, we have BitX for Bitcoin wallets and some e-commerce merchants accepting it, but it’s not in the volumes yet. MasterPass from MasterCard and Checkout from VISA look to deliver a local wallet branded by your bank that you can use online and for mobile purchases. These have real potential as a place where customers will be happy to load their current cards to, treating it like a digital wallet. They are just mobile versions of the card in your pocket, but the application is good. Again, the support from merchants that offer this form of payment will be the kicker.

While mobile payment is still a relative novelty in South Africa, 2015 holds potential for it go viral – but there are challenges. The landscape is already quite fragmented, with no obvious dominant player and there are tensions between retail, telco, banking, card associations and the new tech payment players in between them. This will continue while there is still a fight for the thin percentages of fees that grease the network.

My bet is on the Uber-like experience being brought to the market by retailers who connect to their consumers on mobile and offer them ‘wow’ service, connecting buyer and seller. Payment is then a choice between a card or account as you do today, and there should be many choices that will work, from Bitcoin to current accounts.

Craig Leppan is the Associate Director at Ovations.
After experiencing a drop of more than 50% in 2014 in the price of the most strategic commodity on the planet, oil, we know one thing for sure: expect some more drastic changes. By George Herman

The massive disinflationary bubble that the oil price decline has sent through the economic landscape will have far-reaching ramifications. Europe has unceremoniously been dumped into full-blown deflation, which forced the European Central Bank (ECB) to succumb to market pressure and implement quantitative easing. After fighting against it for five years, the ECB will start buying Eurozone bonds from March onwards, sending bond yields and, in fact, global interest rates to historic lows. All bond yields tumbled, so much so that more than half of Eurozone two-year bonds trade at negative yields. Yes, think about that for a moment: you pay somebody to lend them money. Economics has been turned on its head.

This dovish ECB has prompted various other central banks around the globe to reduce their official interest rates as well, as they all try to stimulate growth and guard against their respective currencies appreciating rapidly.

‘The entire high-yield energy sector is also under pressure as more than $250bn of energy-related debt will be at risk of default.’

This combination of lower oil price, which provides a boost to the global consumer, combined with lower interest rates, should provide a solid underpinning to overall global growth and indeed equity markets in general.

On the negative side, the oil price decline has annihilated Russia, Nigeria and Venezuela, along with all other commodities and thus commodity-exporting countries. Saudi Arabia’s main objective, however, was to throttle off shale oil production in the United States, which they could only achieve by getting the price to below their marginal cost of production of around $60. The entire high-yield energy sector is also under pressure as more than $250bn of energy-related debt will be at risk of default.
‘All bond yields tumbled, so much so that more than half of Eurozone two-year bonds trade at negative yields. Yes, think about that for a moment: you pay somebody to lend them money. Economics has been turned on its head.’

Not only does Europe have to grapple with deflation and its policy responses to it, but also social upheaval against austerity. Democratic forces are bound to rebel against the ‘old guard’ or plainly just against Germany, as elections in various countries will place tough times against promises. Unemployed, impoverished people always choose the promise, so Greece and Spain will have new leaders that don’t subscribe to previous commitments. New political dispensations bring with it new economic challenges, so 2015 promises to deliver much more action than just ‘talk’.

It seems that all scenarios point to a weaker euro and weaker commodities against a stronger United States dollar. These moves are self-correcting though, as the best solution to a strong dollar is a strong dollar. Dollar strength weighs heavily on US-listed multinational companies, as all their foreign earnings get diluted by the stronger dollar. The stronger currency also erodes the relative competitiveness of the United States which, after negatively affecting exports, eventually throttles US economic growth. This should then lead to lower interest rates and eventually also a weaker dollar. All the dynamics described above should thus lead to a stronger dollar, but only up to a point. We expect the major global currencies and commodities to find a new equilibrium level, and hence a termination of the prevailing trends as we enter the year.

In summary, at Citadel, we’re expecting the following in 2015:

• External reporting, prudential and consumer The US dollar remains strong for the first half of the year at least, so expect weaker euro, yen, pound and emerging market currencies.

• External reporting, prudential and consumer Commodities remain under pressure due to a strong US dollar, but a natural end to this phase is approaching as economic growth absorbs commodity oversupply and new global currency equilibrium is found.

• External reporting, prudential and consumer The euro is likely to go through 10 gruelling rounds with Greece, but should, miraculously, stay together.

• External reporting, prudential and consumer. Finally, and painfully, the All Blacks win the Rugby World Cup!

GEORGE HERMAN
is Head: South African Portfolios at Citadel.
A year at the helm

A year after Jacques Celliers was appointed as CEO of First National Bank, Banker SA caught up with him to learn about his journey so far, and his vision for the future. By Georgina Guedes

Jacques Celliers took the helm as CEO of First National Bank (FNB) in January 2014 after the departure of the previous CEO and Twitter rockstar Michael Jordaan. The first thing that Celliers says about his appointment is that he stands on the shoulders of giants.

“I have the luxury of previous generations of executive teams who have built up our culture. We couldn’t have just woken up one day and announced: now we are helpful and now we are ethical. We have generations of development around these things,” he says.

It’s not only the previous executives who have shaped FNB into what it is today. Celliers says he continues to be actively supported by a team of exceptional talented people. “Clearly organisations like this don’t exist because of any one person,” he explains. “I am privileged to work in a place where there’s no topic or discipline that I can’t access through an expert or thought leader working within our organisation.”

One of Celliers’ main focus points is innovation – which is a must in the banking sector. He has been instrumental in revising business models and introducing new technologies in his prior role as CEO of Business Banking. The drive to constantly reinvent FNB’s offering, coupled with stringent security demands, is one of the main challenges of modern banking, he says.

“Banks globally have got us to where we are today by being good at locking things up – creating stable, secure places so that people want to keep their money with us because they trust us to look after it. Equally, regulators around the world prioritise security for the sector. Today’s constituency expects us to be reliable and consumers are asking us to be open, flexible and cool, so we’re constantly trying to deal with all the expectations,” Celliers says.

He says that banking leaders are always treading a fine line between getting it right and pushing it too far. At FNB in particular, Celliers says that he and the various teams that work under him continue to be driven by the mission to innovate and become more helpful in three key areas: their own processes that they put customers through, third-party processes like airtime or electricity purchases that they can enable, and facilitating economic regulation requirements like removing the angst in FICA-verification processes or getting businesses registered.

“All banks have ‘something to offer’. My job is to optimise how we use our resources to position ourselves ahead of the competitors. I’ve spent my first year making sure we don’t any lose momentum.’”

Celliers says the last year has delivered its challenges, but fortunately FNB wasn’t exposed to the highest levels of risk. While he believes FNB is set up for the future, he knows that there’s no way to anticipate everything.

“Think how different this year would have been if we had to deal with $100-a-barrel oil. The oil price has been a massive windfall, especially when we’re dealing with disruptive stuff in society like Eskom. Now we have to work out how to make the most of our opportunities,” he says.

He feels that FNB is in a good position to do this, and to support its customers in being economically active in good spaces, which in turn, is good for the business. “I’m grateful for where we are at FNB at the moment, and humbled by the opportunity to be where I am,” he concludes.

“My job is to optimise how we use our resources to position ourselves ahead of the competitors. I’ve spent my first year making sure we don’t any lose momentum,” he adds.

Celliers says the last year has delivered its challenges, but fortunately FNB wasn’t exposed to the highest levels of risk. While he believes FNB is set up for the future, he knows that there’s no way to anticipate everything.

“Think how different this year would have been if we had to deal with $100-a-barrel oil. The oil price has been a massive windfall, especially when we’re dealing with disruptive stuff in society like Eskom. Now we have to work out how to make the most of our opportunities,” he says.

He feels that FNB is in a good position to do this, and to support its customers in being economically active in good spaces, which in turn, is good for the business. “I’m grateful for where we are at FNB at the moment, and humbled by the opportunity to be where I am,” he concludes.
Premier Lending Software

With proven capabilities of delivering lending solutions to organisations situated in several African countries we have the expertise, software solution and implementation track record to assist you.

The multilingual CreditEase software suite provides comprehensive functionality that covers the entire lending lifecycle.

For further information contact Gary Green at sales@ke.co.za

ph. +27 (0)11 514 5900 | e. sales@ke.co.za | w. www.ke.co.za
It is expected that mobile payment subscribers will reach 1050 million users by the end of 2015.

With Africa’s mobile payment market already being bigger than the US, isn’t it time that you started taking mobile money more seriously?

At Ovations, we believe in developing consumer-facing mobile solutions for our partners. We take the highly technical world of digitally integrated solutions and connect them to a new generation of API systems as well as traditional enterprise integration.

Give us a call and let’s chat about why mobile matters.

For more information, please contact Craig Leppan
+27 11 658 8500 or CraigL@ovationsgroup.com

Visit www.ovationsgroup.com for more insights.