

NEDLAC FINANCIAL SECTOR SUMMIT AUGUST 2002

Address On Behalf of the Financial Sector.

Derek Cooper

(Chairman of Standard Bank Group and Liberty Group)

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I represent the financial sector, comprising the banks, the life offices and the short-term insurers. We are very glad to be here today, and to have had the opportunity to participate in this constructive Nedlac process.

We are fully aware of the need for the economic empowerment of all the people of this wonderful country. It would be futile to believe that there can be prosperity for some, without there being a reasonable level of prosperity for most. In that context, we are mindful and supportive of Government's determination to make appropriate changes to the structure and function of South Africa's economy.

The financial sector is like the oil in an engine. Without oil the economic engine will function defectively, if at all. So all the parts of the engine are entitled to know whether the oil is going to play its role enthusiastically, or reluctantly. On this auspicious occasion, we, the financial services sector, therefore commit ourselves to working in partnership with Government, labour and the community to bring about those changes.

Today is, for us, a watershed. All four constituencies have effectively been involved in putting together the framework agreement which signifies a new beginning. The next step is to use this framework agreement as the first input for developing the financial sector charter. We are convinced that the establishment of such a charter will be of great benefit to the sector and all of us in South Africa. Correctly done, it could provide an impetus for economic growth and development.

The financial services sector plays an enabling role in the society in which it exists. It evolves in response to the commercial and other economic needs of that society by being a safe haven for the savings of the people and their institutions, and by securely investing those savings on their behalf. The role played by the industry is, therefore, pivotal to the stability of our society, and is a reflection of our economic needs. The high regard in which the South African financial sector is held internationally reflects on our entire nation, and our ability to participate in the global economy is dependent on that confidence.

Historically it has made a major contribution to that economy, and on an ever-increasing scale during the last decade, to the empowerment of the previously disadvantaged. I could, in fact, devote much of my allotted time to listing and quantifying those contributions.

But we are not here to reflect on past achievements. The challenge for us is to work in partnership with Government and the other stakeholders to ensure that the considerable financial, intellectual and infrastructural resources of the sector contribute to a better life for all.

Obviously one partner can't "make" a partnership on its own, any more than one spouse can make a marriage on her or his own. Partnerships and marriages are built on trust, and we accept that we have as much to do in building that relationship of trust as Government and the other stakeholders do. Trust is itself heavily dependent on open communication, and that means ongoing and frequent access at all levels of Government, and most particularly to the decision makers. We both commit to, and appeal for a commitment from Government and the other social partners to build that trust and to open the lines of communication.

Partnership also requires understanding – understanding of the needs of the other partner. We undertake to listen and to understand the needs of Government, and the other constituencies. And we appeal to you to listen to us and to understand our needs in maintaining the financial sector as a national asset.

The stable environment, in which commercial agreements are recognised and enforced, and which is a cornerstone of the South African constitution, needs to be extended to all areas.

Moreover, the South African and international standards and regulations for the provision of financial services are established to ensure the public and international confidence on which the financial sector is totally dependent. So we have no alternative but to comply with those standards. As much as we have no future if we do not play our role in uplifting and empowering all the people of this country, it is our responsibility to retain the confidence of all South Africans and the global financial community. That will not be achieved unless we also maintain absolute standards of integrity, reliability and sound corporate governance in all that we do.

What of the future? We owe it to you to give some indication of specifically what it is that we would be putting on the table. In addition to what has already been set out in the Framework Agreement and supporting documents, we give the following commitments.

Because it is so topical at the moment, we give you the assurance that we believe in the need for community re-investment, and are committed to it. We need to work with Government to find the appropriate formula for addressing the housing needs of the poor, and simultaneously maintaining the appropriate South African and international standards of sound banking practice.

As a nation we cannot exclude people who are HIV positive from access to finance, nor can we deprive those who are incapacitated by an AIDS related illness, or their dependents and particularly AIDS orphans, of their housing. We therefore commit ourselves to working with Government to establish a scheme in terms of which mortgage borrowers under the age of 50 would be able to purchase appropriate life cover, regardless of their HIV status.

As reflected in the Framework Agreement and supporting documents, new classes of deposit-taking institutions are required to serve the poor, and an appropriate regulatory system will have to be established to accommodate them. But, in addition to that, we commit ourselves to work with Government and the Reserve Bank to develop a framework that facilitates the participation of those new institutions in the payments system.

We are delighted to find ourselves in agreement with the Department of Trade and Industry that specific strategies are needed to support the robust development of small and medium enterprises. They have the potential to lift us onto a higher growth path and create significant numbers of jobs. We commit ourselves to working with DTI in developing strategies, products and services that will support those small and medium enterprises. The integration of the financial institutions with which DTI is currently involved will be central to the development of successful strategies, and we ask to be allowed to participate in the process. As decided by DTI, totally different strategies and institutional support are necessary for micro and very small businesses.

The New Plan for African Development (Nepad) is one of the most important initiatives for the future of the continent and the member countries. It is essential that it succeeds. The banks probably have the most extensive South African based distribution network throughout Africa, and they have committed to put those distribution networks in the service of Nepad, and particularly to be used as a platform for engagement with the business people of Africa.

Throughout the world, the financial services sector is measured by its stability and the level of confidence which it enjoys amongst its domestic and the international communities. In South Africa we would also like to be measured by the contribution that we make to fulfilling the needs of our nation's people. So if any of the initiatives that we have proposed don't prove to be appropriate to South Africa's circumstances, we undertake to listen, and to sit down with the other constituencies and design better ones.

For us, this day is a very significant one that signals a new beginning. We would like to express our confidence in our social partners, and we commit ourselves to working in service of the broad interests of the economy of which we are merely a reflection. The time for excuses – political, practical or otherwise – has passed, and has been replaced by an urgent need for sound decisions and delivery in all sectors.

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