

**AMENDED FSC SERIES FS700: THE MEASUREMENT OF THE ACCESS TO FINANCIAL SERVICES ELEMENT OF  
BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

**STATEMENT FS701**

**GENERAL PRINCIPLES FOR THE MEASUREMENT OF THE ACCESS TO FINANCIAL SERVICES ELEMENT OF BROAD-  
BASED BLACK ECONOMIC EMPOWERMENT AS IT RELATES TO BANKS**

**Issued under section 9 (1) of the Broad-Based Black Economic Empowerment Act of  
2003 as amended by Act 46 of 2013**

**Introduction**

The South African members of the Banking Industry submit and indicate their willingness to abide by the standards, definitions, and key measurements principles as set out in this document as commitment to the delivery on inclusive targets (where specified), to enhance, improve, and grow financial access to that portion of the South African economically active population who were previously excluded for whatever reason.

The targets contained in this document are not aimed to divide the target market but rather to expand the reach of financial services by all participants in the industry, to that portion of the population not actively serviced by current banking services, based on an economically viable model for all participating organisations.

**Arrangement of this statement FS701**

<b>Paragraph</b>	<b>Subject</b>	<b>Page</b>
1	OBJECTIVES	98
2	THE SCORECARD	98
3	THE DEFINITIONS, STANDARDS, TARGET MARKETS AND KEY MEASUREMENT PRINCIPLES OF ACCESS	99

## 1 OBJECTIVES

The objectives of this statement are to specify:

- 1.1 The Access scorecard as it relates to members of the Banking Association of South Africa.
- 1.2 The definitions, standards, target markets and key measurement principles of the sub- categories of the Access element.

## 2 THE SCORECARD

Access to Financial Services						
	Access Method	Qualifying Market / Arear	Qualifying Criteria	Range	Target	Available points
2.1	<b>Geographic Access (Reach)</b>		One or more of:			6
2.1.1	Transaction point	50% or more of house-holds fall within LSM 1-5	draw cash, or	5 km	85%	1
			purchase from their accounts			
2.1.2	Service point		reset a PIN	10 km	70%	1
			money transfers,			
			get a statement, or			
			Initiate account queries			
2.1.3	Sales point		replace a card,	15 km	60%	2
		deposit cash into their accounts, or				
		acquire:				
		a transaction account, a funeral policy,				
		a savings account, or				
		a loan.				
2.1.4	Electronic Access	Individuals earning less than R5,000 per month increasing by CPIX p.a.	The use of telephones, mobile phones, internet banking or any other new technology for: money transfers, account to account transfers, prepaid purchases, balance enquiries (list not exhaustive).	National	19% of account holders within the target market	2

2.2	Banking Densification	Individuals in the LSM 1-5 group nationally	Access to cash withdrawal facility per measuring unit	National	1, 500 adults per point of presence	3
2.3	Product related access	Individuals in the LSM 1-5 group nationally	Number of active accounts for qualifying products per institution	National	<b>12 370 082</b> active accounts in 2017 (SASSA accounts not included)	3
<b>Total</b>						<b>12</b>

### 3 THE DEFINITIONS, STANDARDS, TARGET MARKETS AND KEY MEASUREMENT PRINCIPLES OF ACCESS

#### 3.1 Geographic Access

3.1.1 Preamble: Financial inclusion will be accomplished through utilising a combination of bank-managed, third party, and client-owned resources. Only the category of bank-managed resources (sales people, ATMs, automatic note acceptors, points of sale devices, retail agencies, etc.) can be geographically identified and tracked. The latter category of client-owned infrastructure (mobile phones and personal computers etc.) although providing the most cost effective and convenient access, cannot be easily identified within a specific geographic position.

3.1.2 Due to the above, access via these two categories of resources will be measured through different methodologies:

#### 3.1.3 Geographic Banking Access

3.1.4 Definition: Points of representation:

- a. Transaction Points are points at which customers can take cash or make a purchase from their accounts. (The target is 85%);
- b. Service Points are points where a customer can reset a PIN, do money transfers, get a statement, or initiate account queries. (The target is 70%); and
- c. Sales Points are points at which customers can replace a card, deposit cash into their accounts, or acquire a transaction account, a funeral policy, a savings account or a loan. (The target is 60%).

3.1.5 Target market: qualifying areas are municipal suburbs or sub-areas in which more than 50% of households fall within LSM 1 to 5.

3.1.6 Measurement principles:

- a. The sector will be measured as a collective and not on an individual institution basis. Notwithstanding this, each institution will be measured independently for compliance against its own targets, the criteria of which will be determined and agreed by an industry working committee.
- b. Therefore, there must be at least one sales point within 15 km of the identified areas, at least one service point within 10 km of the identified areas and one transaction point within 5km of the identified areas, regardless of which institution's infrastructure is present.

3.1.7 Measurement

- a. Convenient Access is the presence of:

- i. A Sales point within a 15km radius of a qualifying area;
    - ii. A Service point within a 10km radius of a qualifying area; and
    - iii. A Transaction point within a 5km radius of a qualifying area;
  - b. Any access point that meets all three criteria above may be counted in all three line items of the geographic access scorecard. Therefore, if a sales point is within a 5 km radius of the qualifying area it will count in all three geographic access line items, since it has all the features of all three points of presence.
- 3.1.8 Geographic access will be evaluated in three steps:
- a. Identify qualifying areas;
  - b. Identify sales service and transaction points within the qualifying areas; and
  - c. Allocate points on the basis that at least 80% of people in a qualifying area have convenient access to a sales point (within a 15 km radius), service point (within a 10 km radius) or transaction point (within a 5 km radius).
- 3.1.9 Geographical access is specifically about proximity to transaction, service and sales points and does not imply product holding, which is covered separately in the Product Access section below.

## 3.2 **Electronic customer infrastructure access: Population Penetration**

- 3.2.1 Preamble: Since access via a customer's own or third-party infrastructure cannot easily be pinpointed by specific geographic area, the penetration of certain transaction types to an identified client base, on identified channels will be used as a measure of access for mobile (cell phone) banking, telephone banking, internet banking, and others.
- 3.2.2 Definition: Access via any client-owned or third-party infrastructure; which will include but not be limited to, internet banking, cell-phone banking, telephone banking, or any new electronic product and / or technology.
- 3.2.3 Target market: Target customers are individual customers who earn less than the tax threshold of R73 650.00 p.a. as at 01/03/2016 and adjusted by SARS from time to time. Customer income should be derived from the customer's account behaviour using an agreed formula, still to be determined by an industry working committee.
- 3.2.4 Products: qualifying transactions on products include but are not limited to, money transfers, account-to-account transfers, prepaid purchases and balance enquiries done using the customer's mobile phone, telephone, internet banking or any other new technology.
- 3.2.5 Measurement: Electronic access will be measured at industry level but with agreed targets per individual organisation. Each organisation will be measured on their own performance against their agreed target.
- 3.2.6 An industry working committee will evaluate criteria and measurement. This is a necessity since the qualifying areas (previously national 15 km and 10 km), and qualifying points of representation (previously branch and ATM, now all inclusive) have been changed. This will necessarily result in new baseline numbers and newly identified industry gaps. These gaps will be addressed by the industry via all the impacted institutions. Individual institution targets will be formulated and agreed, taking into consideration impact on capital expenditure as well as economic viability.
- 3.2.7 The targets will be reviewed and new targets set from 2018 for subsequent years.

### 3.3 **Banking Access via Densification**

- 3.3.1 Preamble: Traditionally, physical access to banking products was only measured by means of the number of certain points of access per geographic area. Banking access via the densification principle aims to measure the availability of cash-withdrawal facilities per the number of qualifying customers based on the population density in the agreed measurement area.
- 3.3.2 Definition:
- 3.3.2.1 Banking access through densification refers to the principle of measurement of the number of access points per number of the target group of clients with the sole aim of easing access to the facility of obtaining cash from their qualifying accounts within easy reach of their home base (measurement unit / area).
- 3.3.2.2 Whereas geographical access refers to the number of people in LSM 1-5 within a specified radius of a point of representation, which is the point from which the radius is measured, densification refers to the number of points within the boundaries of a suburb / measuring unit where at least 50% of the population is classified as being in LSM 1-5 (the reference point is the suburb rather than the point of presence).
- 3.3.3 Target market: The target market will be the LSM 1-5 group of the population of no less than 1,500 LSM 1-5 individuals within agreed suburbs / measurement units.
- 3.3.4 Targets: At least one 'point of presence' per 1,500 people in the LSM 1-5 category within a suburb / measuring unit, where 'point of presence' refers to any point of presence within a suburb where a target market beneficiary is able to draw cash. Points of presence measurements exclude the SA Post Office.
- 3.3.5 Measurement: The sector will be measured as a whole and not on an individual institution basis based on the agreed principle one point of representation with cash withdrawal facility within the boundaries of the suburb / measurement area per 1, 500 individuals in the LSM 1-5 group, where the representation of the latter exceeds 50% or more of the population within the suburb / measurement area. Suburbs that have a population of less than 1,500 people in LSM 1-5 will be excluded from the calculations.

### 3.4 **Product access**

- 3.4.1 Preamble: Notwithstanding the perception of the success of the Mzansi account, banks found that the product is not as successful in penetrating the target market as was originally hoped for. This is mainly due to the stigma of it being perceived as a "poor person's" banking product. The Mzansi product is limited in what it offers and is therefore quickly outgrown by its user. This necessitated the various participating institutions to expand their own offerings, which are far more successful at achieving financial inclusion, yet these products are not recognised as part of the opening-up of the target market.

- 3.4.2 Target market: The target market will be people in the LSM 1-5 group of the economically active population.
- 3.4.3 Products: Any product will qualify as an Access Product if it conforms to the minimum Access Standard which will be negotiated as part of the Sector Code process, in accordance with applicable law.
- 3.4.3.1 The Council will engage with the relevant stakeholders to ensure that approvals are in place where necessary.
- 3.4.4 Participation: Any bank may apply to the Council to have any number of products approved as access qualifying products for the purposes of meeting their access targets. The Council shall approve such products if the product meets the minimum access standards. Each bank is then free to brand their qualifying product as they deem appropriate and sell it into the market in the most appropriate way that is aligned to its own strategy and in a manner that promotes financial inclusion.
- 3.4.4.1 To achieve the above, the current Saswitch /PASA agreements may need to be restructured and renegotiated. Much simpler agreements that promote the correct behaviour are envisaged.
- 3.4.4.2 The Council notes that the Reserve Bank is facilitating and overseeing a revision of interchange rates for all payment streams in South Africa, including interchange in the card environment. The Terms of Reference for the project are supported by the National Treasury and the Competition Commission, and has been endorsed by the Bank's Governors' Executive Committee. According to the Terms of Reference, the objective of this project is for the Reserve Bank to "facilitate a fair and transparent process whereby interchange rates for each of the payment streams, officially recognised and registered with the Payments Association of South Africa (PASA), are reviewed in terms of:
- i. Whether they are feasible and/or justifiable in that stream; and*
  - ii. Are realistic and appropriate for that payment stream based on acceptable parameters."*
- Furthermore, the Terms of Reference state: "*It will be a specific requirement in this project that stakeholders will not be permitted to gather together to discuss interchange or specific aspects relating to the determination of the actual interchange rate*".
- 3.4.5 Measurement: Each institution will be measured according to the number of accounts with activity within the last 180 days, based on the level of conformity allocated by the Council.