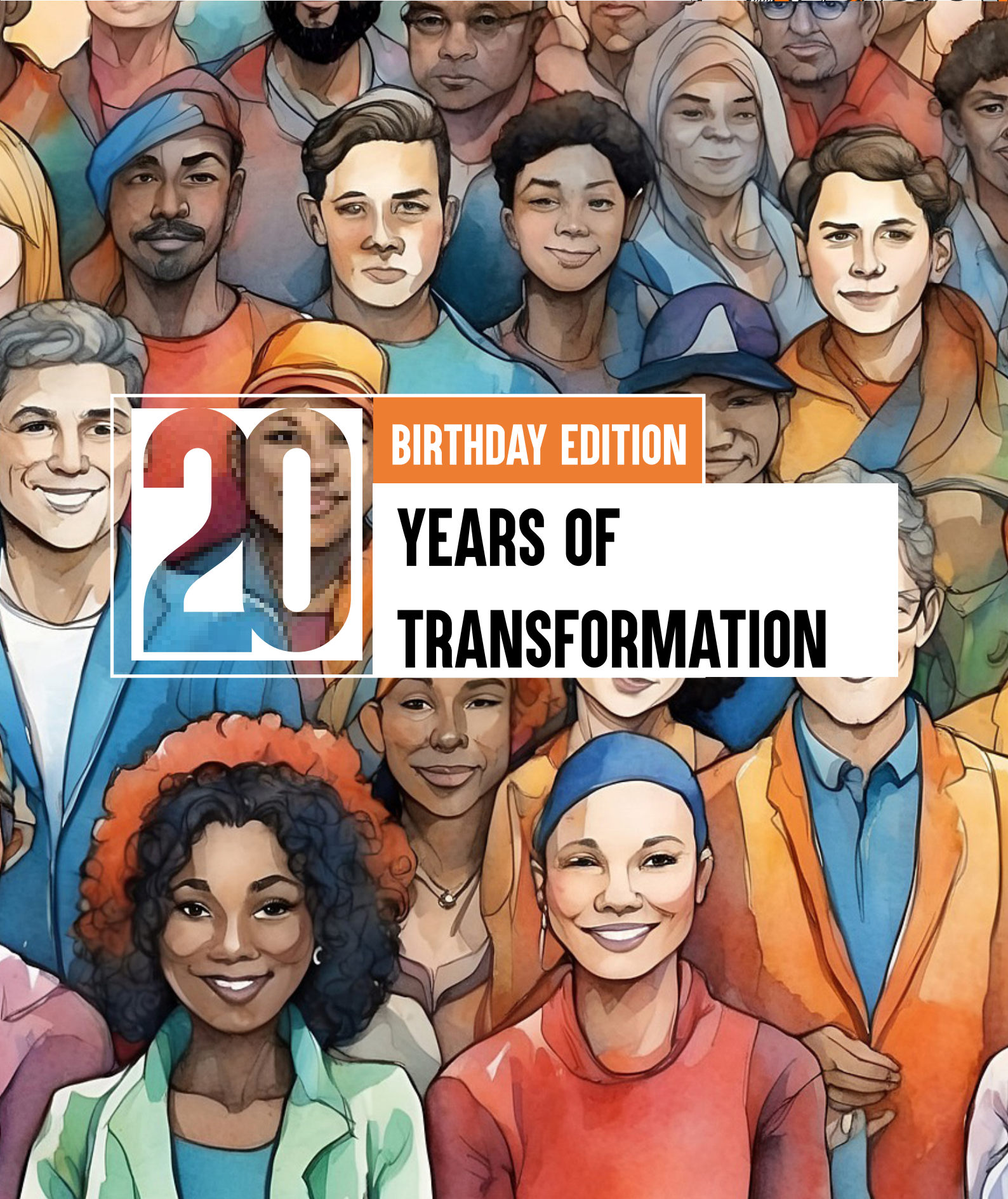




Financial Sector Transformation Council



20

BIRTHDAY EDITION

**YEARS OF
TRANSFORMATION**

Address:

Financial Sector
Transformation Council
(FSTC)

Kopano on Empire, Suite 3

30 Wellington Road,
Parktown

Johannesburg, South
Africa

Contact details

Phone: 087 062 5950

General enquires email:
info@fstc.org.za

Reporting enquires:
reporting@fstc.org.za

Website: www.fstc.org.za

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Reflections on the Journey of the Financial Sector Transformation Council (FSTC)

As the Financial Sector Transformation Council (FSTC) marks its 20th anniversary, we reflect on the journey that began with ambitious goals and a vision for a more

Transformed, Transparent and Accessible financial services sector in South Africa. This journey has traced a significant path through the country's financial landscape, marked by pivotal milestones that embody the



sector's commitment to transformation.

It all began in August 2002 with the Financial Sector Summit (FSS) hosted by **the National Economic Development and Labour Council (NEDLAC)**, which laid the groundwork for collaborative efforts to promote equality through the financial sector.

By October 2003, this commitment materialised with the signing of the Financial Sector Charter, a transformative agreement aimed at addressing historical disparities.

In January 2004, the gazetting of the B-BBEE Act embedded broad-based black economic empowerment into South African legislation. The Financial Sector Charter Council (FSCC) was formed in **2004 to oversee implementation**, and in **May 2007, the BEE Generic Codes of Good Practice (CoGP) were issued**, providing a framework for broader transformation.

Significant advancements followed, **including the gazetting of the Financial Sector Code in December 2012**, and **subsequent CoGP amendments in 2014 and 2016**, which solidified the transformation

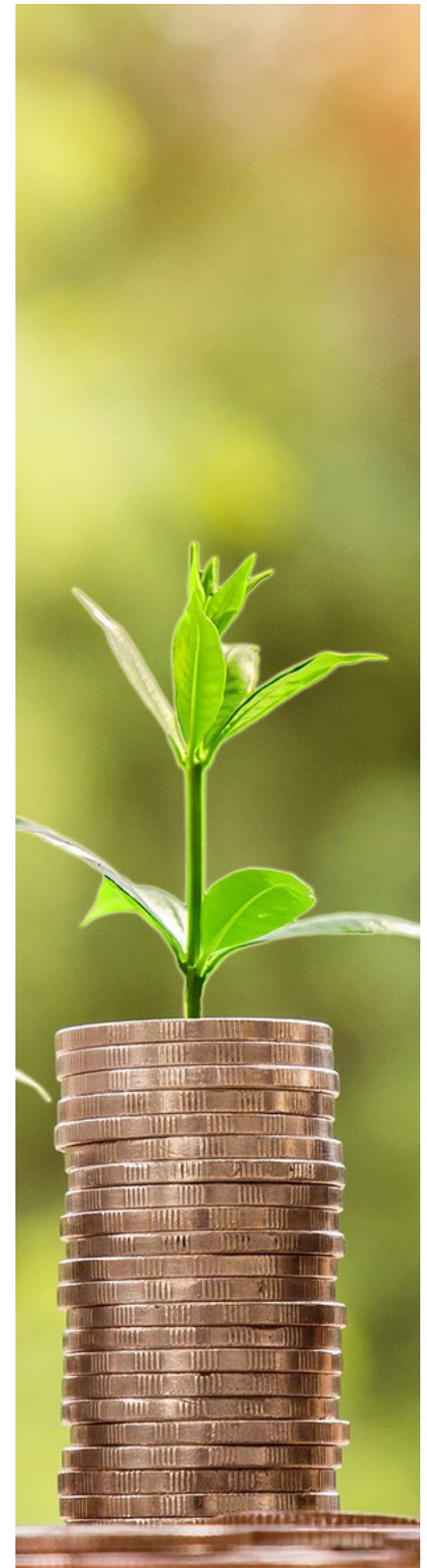
framework. In **December 2017**, the **Amended Financial Sector Code** was gazetted, reflecting the evolving landscape of transformation efforts.

In September 2018, the **FSCC rebranded as the Financial Sector Transformation Council (FSTC)**, reinforcing its commitment to inclusive economic growth and a more equitable financial sector for all South Africans.

Over the years, the FSTC has been at the forefront of driving transformation in South Africa's financial landscape, fostering inclusion, equality, and growth with the evolution of transformation rooted in the foundational discussions held at **NEDLAC**. With its inaugural review in 2005, and throughout the FSTC's journey, we have witnessed commendable efforts, however, underperformance persist across various elements, underscoring the complexities of transformation and the need for sustained efforts and innovative solutions to overcome barriers.

In this birthday edition, we honour key stakeholders who have played pivotal roles in this journey as they share their reflections, insights, and aspirations for

the future. We look ahead with renewed determination to build on our progress and continue driving positive change in South Africa's financial landscape.





Mr. Enoch Godongwana,

Minister of Finance, former Head of
the Financial Sector Charter Council
from 2005 to 2007

My journey with the Financial Sector Transformation Council (FSTC) began shortly after it was founded in 2005, when I was appointed and served as the Head of the entity until 2007. The founding principles of the Financial Sector Charter include, promoting a reformed, dynamic, and internationally competitive financial industry that reflects South Africa's demographics, and promotes both financial inclusion and strategic investments. The vision of the Council was to ensure accomplishments of the 2003 Financial Sector Charter undertakings which included implementing mechanisms aimed at addressing inequalities and mobilising financial resources for the benefit of all South Africans.

As Government, we strive for a regulatory framework that supports and strengthens transformation initiatives in the financial sector, including the Financial Sector Code (FSC) and other initiatives aimed at empowerment, as outlined in the Broad-Based Black Economic Empowerment (B-BBEE) Act, No. 53 of 2003. Government remains steadfast in its commitment to advance transformation, improve the lives of the majority, foster inclusive economic growth and promote job creation. In this regard, government strives for policy and legislation that is relevant and responsive to the prevailing domestic and international conditions.

At present, the National Treasury is seized with preparations and finalisation of the Conduct of Financial Institutions (COFI) Bill, which will be tabled in Parliament in the coming months. Along with providing a framework to enable the fair treatment of customers, the COFI Bill will strengthen the authority of the Financial Sector Conduct



the FSTC's role continues to remain critical to financial sector transformation..."

Authority (FSCA) to enforce and embed transformation within financial institutions. The FSCA has a significant role in advancing the transformation of the financial sector, as outlined in the B-BBEE Act, and continues to promote transformation within the existing legal framework, while awaiting the finalisation of the COFI Bill.

It is worthwhile to note that whilst some progress has been made, a lot more still needs to be done for the sector to contribute meaningfully to the economy and thus, the role of the FSTC remains critical. The financial sector is at the core of the economy. The financial and business services sector accounted for 23 per cent of the country's gross domestic product in the second quarter of 2024. As much as the financial sector must grow the economy and remain globally competitive, economic transformation should be seen as an integral component of sustainable growth. Ensuring access to finance and other financial services

is key to achieving sustainable economic and social transformation. Access to finance for micro, small and medium enterprises at all phases of their life cycle - from inception to development and expansion, is required to build viable and sustainable enterprises. We expect our financial sector to foster inclusive and sustainable economic growth.

To reiterate, **the FSTC's role continues to remain critical to financial sector transformation and the slow pace of progress made to date must not de late the spirit of transformation and deter more work from being done. It is when the sector is transformed that it will contribute meaningfully to the economy.** More must be done in ensuring the urgency to drive imperatives necessary to achieve transformation targets outlined in the Financial Sector Codes. Moreover, the quality of the spend, impact and sustainability of the outcomes in transforming lives must be at the core.

As the FSTC's line Minister, and working with the B-BBEE Commission, Department of Trade, Industry and Competition (DTIC), Financial Sector Conduct Authority (FSCA), Prudential Authority, our constituencies, and the sector at large, we look forward to a financial services sector that delivers optimal outcomes, a financial sector that is inclusive and enables growth, and a financial sector that ensures a just and equitable society.

In closing, I would like to highlight that 2024 signifies 30 years of democracy and 20 years since the establishment of the FSTC. I also wish to emphasise that whilst inroads have been made, more is still to be done to drive and achieve transformation in the financial sector.

Happy 20th Anniversary FSTC !!!



Mr. Cas Coovadia,
Chief Executive Officer
of Business Unity SA (BUSA),
former Trade Association
representative

The genesis of the Financial Sector Transformation Code was in 2002, when the then Chairperson of The Banking Council SA, Derek Cooper, volunteered a charter at the NEDLAC Financial Sector Summit in August 2002. This was the culmination of negotiations at NEDLAC on the role of the financial sector, particularly related to broadening access to financial services, and increasing financial inclusion.

This was followed by negotiations during 2003 to agree on the elements to be included in a Charter, targets for each element, the formation of a Charter Council and other pertinent matters. These negotiations were essentially between the formal financial sector, represented by the Banking Council SA, as it was then, the Association of Collective Investments, Life Officers Association, the Investment Managers Association of SA, JSE Securities Exchange of SA, Institute of Retirement Funds, Bond Exchange of SA, Foreign Bankers Association, SA Reinsurance Association and the Short-Term Insurance Association.

Black interests in the financial sector, were represented by the Association of Black Securities and Investment Practitioners (ABSIP), whilst government was represented by National Treasury and the SA Reserve Bank during these negotiations.

The Financial Sector Charter (FSC) was signed on 17th October 2003, and came into effect in January 2004, before the Black Economic Empowerment Act was gazetted. The FSC was thus the trailblazer in black economic empowerment. The Financial Sector Charter Council (FSCC) was established, with representation from the NEDLAC social partners. The first CEO of the Council was Enoch Godongwana, who is currently the Minister of Finance.

The impact of the FSC, with other initiatives, on financial inclusion has been significant. Finmark Trust data indicates the percentage of banked adults in SA between 2004 and 2015 increased from 45.5% to 77%. The World Bank indicates the percentage of banked adults in SA in 2022 stood at 85%.

The Financial Sector Transformation Council (FSTC) has played a critical role in ensuring



important players in the financial sector work together to increase access to financial services and usage of such services. However, I am of the view the Council could play a more strategic role. Its representation comprises the critical players in the financial sector, and it should be discussing and debating, inter alia, the following:

- The broader socio-economic environment, particularly its impact on the financial sector and inclusion.
- What a transformed financial sector should look like in the next ten years, so that there is something to aim for.
- The significant impact of the digitalisation

of financial services, particularly on inclusion.

- An appropriate regulatory and legislative environment for the growth of the financial sector and increasing inclusion.

I take this opportunity to congratulate the FSTC on its 20th anniversary! We have come a long way since 2002 but need to be ahead of the curve in developments in the financial sector, within the context of the broader socioeconomic environment, and have a more dynamic approach towards financial inclusion, given the ongoing, and complex developments in the financial sector itself!



Mr. Leon Campher,
Former Chief Executive Officer of
the Association for Savings and
Investment South Africa (ASISA),
former Trade Association
representative

The signing of the Financial Sector Charter in 2003 by then-Minister of Finance Trevor Manuel and various trade associations marked a significant milestone in the financial sector's pioneering effort to establish a voluntary mechanism for measuring transformation. This landmark achievement was subsequently gazetted under section 12 of the Broad-Based Black

Economic Empowerment (B-BBEE) Act 53 of 2003. The Charter was the product of many tough negotiations—challenging but always conducted in good faith and, most importantly, with mutual respect and a desire to achieve the best possible outcome for all stakeholders. The representatives of all constituents around the negotiation table played a significant role in the extraordinary journey that brought the Charter into existence. I would, however, like to single out a few who were, in a way, the glue that held it all together and gave the process new momentum when seeing eye to eye was difficult.

- Trevor Manuel actively led the negotiation process and wisely brought in Elias Masilela, then from the National Treasury, who played a huge role in the negotiation process and became the founder Chairman of the Financial Sector Charter Council. I remember Mr. Masilela for his calm approach; he was an extraordinary facilitator.
- Jacko Maree, then Group CEO of Standard Bank, consistently prioritized this initiative recognising the importance of meaningful transformation for the country, its people and the financial sector ensuring the birth of the Charter.
- Kennedy Bungane, then President of the Association of Black Securities and Investment Professionals (ABSIP), along with Isaac Ramputa, representing SASBO-The Finance Union, and Colette Cain, representing the Community, were tough yet fair negotiators, effectively advocating for their constituents.

In January 2004, Trevor Manuel constituted the Financial Sector Charter Council (FSCC) to provide the financial sector with a

transformation custodian representative of key stakeholders. The FSCC was formed with representatives from organised labour, the community, government (Department of Trade and Industry, and National Treasury), the Association of Black Securities and Investment Professionals (ABSIP), as well as the various trade associations. In 2008, the newly established Association for Savings and Investment South Africa (ASISA) took over representation of the savings and investment industry on the FSCC. ASISA, therefore, represents five of the original nine associations that signed the Charter.

In 2018, the FSCC changed its name to the Financial Sector Transformation Council (FSTC). At the same time, the Council expanded its mandate to provide greater strategic direction in line with the Amended Financial Sector Code (FSC), which was gazetted in December 2017, for the financial sector on transformation and development initiatives that support economic growth and job creation.

While the financial sector has come a long way, the transformation journey is far from complete. I want to remind those who now hold the custodianship of the sector's transformation of the importance of collectively working towards a positive outcome. The stumbling blocks of the past and the events that preceded the formation of the Government of National Unity hold many valuable lessons. The negotiators in 2003 showed us just what can be achieved by putting one's interest aside and focusing on the collective good. I call on you to continue your work in the same spirit. The ongoing transformation of the financial sector is crucial in achieving a sustainable, inclusive and growing economy in South Africa.





Ms. Vivienne Pearson,
 Chief Executive Officer of South African Insurance Association (SAIA), current Trade Association representative

This year marks significant milestones for our country, as we not only celebrate 30 years of democracy, but also an incredible 20 years of the promulgation and adoption of the Financial Sector Code (FSC), as a sector specific framework to drive transformation of the financial sector. Despite the relatively slow pace of the implementation of the Broad-Based Black Economic Empowerment agenda, entities within the financial sector have remained committed to being part of the broader government agenda of

promoting equality and inclusivity of the society through both internal and external transformation initiatives.

The Financial Sector Transformation Council (FSTC – formerly known as The Financial Sector Charter Council) has been an instrumental vehicle in coordinating the activities of the FSC, which include both the development and monitoring of the implementation of the framework by the sector. Therefore, the work of the FSTC is paramount in reporting on the progress made by the sector, while highlighting areas of challenges and opportunities.

Over the past 20 years, the sector has shown progressive improvement in its performance against the FSC targets, although a lot remains to be achieved. **The sector specific Code has also allowed for targeted efforts on business embedded elements such as Empowerment Financing for the banks and life offices, Access to Financial Services and Consumer Financial Education, which are necessary to promote financial inclusion and contribute significantly to empowerment of the society through Black Economic Empowerment Ownerships deals.**

This is despite the many challenges that the transformation mission still encounters, such as the decline and sometimes unsteady increase in ownership and management figures over the years. The decrease in the submissions of BEE reports etc., also poses a challenge as these are essential in regulatory oversight efforts. These challenges further emphasise the magnitude of work that must be done towards this agenda, and the level of support that should be directed to the FSTC and its partners in their efforts towards the realisation of a transformed sector.

As a significant contributor to the country's Gross Domestic Product (GDP), and

economic growth through employment opportunities for society and deployment of funds for infrastructure development, the financial sector plays a critical role in advancing the transformation agenda. Thus, it needed to be intentional about its transformation objectives, which have also included the sector advocating for the inclusion of transformation provisions in the Insurance Act No 18 of 2017 and the submission of transformation plans as part of financial institutions' submission requirements by the Regulators, under the Financial Sector Regulation Act No. 9 of 2017 (FSRA).

As part of the financial sector, the non-life insurance industry has an important role to play in the advancement of economic development and inclusivity. Through initiatives that enhance the industry's contribution such as transformation of its supplier chain, which is premised on the inclusion of previously disadvantaged groups such as Black owned and Black women owned businesses as suppliers, the industry has made headway in this area and continues with its efforts. Other initiatives include the promotion of consumer financial education and access to non-life insurance products.

Since the inception of the FSTC, the South African Insurance Association (SAIA) as a representative body of the non-life insurance industry has always supported and continues to support the FSTC and the important work being done toward meaningful transformation. A transformed financial sector translates to a growing economy and financial stability. Therefore, it is our collective prerogative as a sector to rally behind transformation efforts if we are to realise meaningful benefits as a society.





Mr. Sim Tshabalala,
Chief Executive Officer of Standard
Bank Group, former Trade
Association representative

There's a lot to learn from the early days of the Financial Sector Code and the Financial Sector Transformation Council. If you serve a just cause, maintain firmness of purpose, set clear targets, and adopt a systematic approach, you can achieve great things.

We, at Standard Bank, place great importance on retaining our Level 1 B-BBEE status and work hard to ensure that we always achieve it. Last year, for instance, of our R24 billion total annual procurement in South Africa, R21 billion (87%) was with B-BBEE compliant suppliers. Equally, as I write this

in September 2024, the Chairman of our board is an African woman and the Group Chief Executive, Deputy Chief Executive, and Chief Executives of our largest business units are all Africans. Of course, Standard Bank still has a considerable way to go to achieve the goals established in the Financial Sector Code, but it is reasonable to suggest that these goals are now in sight.

The benefits of implementing the Financial Sector Code with consistent discipline are now felt throughout our business. For one, we understand our market much more fully and serve our clients far better. For another, when we look at the depth and breadth of our younger talent, we have no doubt that the current generation of senior leaders will be succeeded by executives who are both fully representative of society and embodiments of world-class excellence.

We should not let go of our Financial Sector Code goals in South Africa until they are fully achieved. But I would argue, it may now be time, at this auspicious anniversary moment, to start thinking about the next frontiers.

One of these is the question of what institutions like the FSTC can do in the wider African and global contexts. The clear, disciplined, and systematic approach of the FTSC has achieved a lot for competitiveness, inclusion and sustainability in our home country. What should it be doing in future to increase our competitiveness on the African and global stage? For instance, what contributions can it make to strengthening our human capital and to improving our cost structure relative to the rapidly growing economies of many of our African neighbours?

A second, even more challenging, frontier is to ensure that the FSTC stays focused



on justice, equity, diversity and inclusion as South Africa evolves. Throughout the world and throughout history, there is a strong tendency for existing elites to reproduce themselves and to become more exclusive over time. Similarly, without regulation, labour markets tend to become more closed and to increase inequality. If unchecked, these tendencies reduce economic competitiveness and social stability. Indeed, as we know from looking at the history of the apartheid period, fossilised affirmative action ends up reinforcing privilege.

For these reasons, it is important that affirmative action, diversity, and

inclusion requirements stay in close touch with the current realities of society. Healthy affirmative action – which changes as society does – helps to keep societies stable and economies inclusive and dynamic.

The FSTC are leaders in shaping South Africa's policy and regulation in these areas. We therefore look to this Council to remain an open and learning institution, alive to South Africa's changing racial, ethnic, gender and class structure. In this way, the FSTC will ensure that our transformation programmes remain healthy for many decades to come.



Mr. Isaac Ramputa,
Executive Director of RisCura, former
Labour Constituency representative,
Board member from 2007 to 2013
and Chief Executive Officer of the
FSTC from 2014 to 2019

With the journey of transformation having started at NEDLAC and proceeded to the meetings between industry bodies and ABSIP in 2002, other social partners joined, and the Financial Sector Charter Council was established in 2004. At the time, there was a lot of work outstanding, especially the Guidance Notes to help interpret and clarify the various aspects of the Financial Sector Charter. The formation of the office and its staffing marked a significant turning point in the financial sector's journey towards the implementation of transformation imperatives.

The discussions that followed were frank, engaging, and deeply committed to seeing the process through. Although the social partners came from diverse perspectives, they were united by a common goal—to reshape the sector into one that reflects the broader socio-economic landscape of South Africa.

The significance of establishing the Financial Sector Code was crucial to the economic development and inclusivity in the sector. In the early days, access to basic banking services was limited for many, but we began to see a positive shift with the introduction of the Mzansi account, despite its initial limitations. The high costs of banking and the challenge of lapsing insurance policies were key issues tackled during these discussions, as we worked to ensure that financial services were more accessible to all.

As one of the main drivers of economic development, the financial sector's transformation has a multiplier effect across the broader economy. The strides we made set an example of how transformation, with all its complexities, could be addressed in a highly regulated environment. However, the journey hasn't been without its challenges.

Unfortunately, in recent years, progress in certain areas has stagnated, particularly in human resources. The number of Black CEOs reduced compared to the high of 2008, and ownership levels have dropped after the expiration of the 10-year lock-in period in 2010, leading to a reliance on the "once empowered, always empowered" principle. The journey is not complete, and it needs everyone to continue to push for a transformed and inclusive society. As we know, transformation is not an event but a journey.



Mr. Sikhumbuzo Thomo,

former Community Constituency representative

Looking back, it is essential to remind ourselves of the goals we collectively set during the Financial Sector Summit (FSS) in 2002 and the Growth and Development Summit (GDS) in 2003. These summits were landmark events that provided the NEDLAC constituencies with a roadmap to address the deep inequities within our economy. **Our commitment was clear: i) to transform the financial sector in South Africa, ii) to critically and honestly assess the progress we have made towards meeting those goals; and iii) to work out new ways of meeting the challenges we still face in trying to fulfil those goals.**

For Community and Labour, this journey

began as early as 2000 with the South African Communist Party's (SACP) Red October Campaign, demanding access to affordable and appropriate financial services for all citizens. Our slogan, "Make the Banks Serve the People," was simple but bold. We knew the challenge ahead was formidable, but we also knew that, despite the obstacles, we would find allies, make progress, and bring about meaningful change. From the vantage point of the past 20 years, I can confidently say we were right.

There is no doubt that Financial Sector transformation has made some significant strides and faced some turbulences. The notion of making the banks and other financial institutions serve the people – to change the way they had always done business in South Africa and address the legacy of apartheid – was not on the national political or economic agenda in 2000. It has now become part of our national consciousness – it is driving change across thousands of institutions, potentially affecting the lives of millions of people.

Furthermore, the various partners seated in the FSTC, formerly known as the Financial Sector Charter Council, began to work in an inclusive and constructive way on the transformation of the sector – including taking decisions on investing over R120 billion in areas such as affordable housing, infrastructure development, black SMEs, agriculture, and Black Economic Empowerment transaction financing.

However, the biggest issues facing South Africa remain the high unemployment rate and reducing poverty. Though private sector investments in job-creating initiatives have increased, they have not reached their full potential. One of the most groundbreaking agreements to come out of these discussions

was the commitment by the constituencies to invest 5% of investable assets in equity equivalents—an unprecedented move in any economy. However, this promising initiative faced significant implementation challenges during my tenure at the FSTC.

Having played an instrumental role in shaping the economic landscape of our country, the financial services industry, being the engine of private sector investment, now faces the critical task of ensuring that the financial sector becomes a true partner in solving unemployment, supporting co-operatives, stokvels, and community savings schemes. Had we not prioritised driving transformation of the financial sector, we would have risked neglecting a key component of our National Democratic Revolution—a critical aspect we, as the Community Constituency, could not afford to overlook.

While we welcomed the Financial Sector Charter's proposal to invest R42 billion in low-income housing, it's essential to assess how effectively this funding has been allocated and whether it has met its goal of providing secure, affordable housing for all. We envisioned a range of financial products to support diverse needs, but currently, there seems to be a limited offering. Many families still struggle to find suitable financing options. As we know, the mortgage solutions available often don't address the unique circumstances of lower-income households, which require more accessible and flexible options.

The success of the Mzansi national bank account, which saw over 1.3 million new accounts opened in just nine months, clearly demonstrated the demand for affordable banking services and highlights our agreement from 2002 to not only expand access to bank accounts but also to provide



affordable credit and financial education.

Regarding Community Reinvestment, it's crucial for the FSTC to revisit aspects such as bank charges. With significant revenue generated from ATM fees, we have an opportunity to direct these funds toward vital services such as National Healthcare and education, easing the burden on our government.

Over the years the financial sector has been given a valuable opportunity to evolve into a key part of the solution and embracing calls for change can lead to progress that benefits us all. That opportunity must be grabbed with both hands.

As this edition reflects on the Council's journey, it's important to ask the FSTC: how far since our initial commitments have we all gone?

Conclusion:

As we celebrate the FSTC's 20th anniversary, the reflections of these leaders serve as both a tribute to the progress made and a reminder of the challenges that remain. The journey of transformation is far from over. As it has been eloquently echoed, *"Transformation is not an event but a journey"*. This sentiment resonates throughout the contributions from stakeholders, reinforcing the need for sustained commitment to building an inclusive, equitable, and dynamic financial sector.

In the words of Sim Tshabalala, "We should not let go of our Financial Sector Code goals in South Africa until they are fully achieved." The road ahead may present new challenges, but the collective resolve to push for meaningful change remains stronger than ever. As we honour the past, we also look to the future, confident that the lessons learned over the past 20 years will guide the next phase of transformation, both within South Africa and beyond. The future of transformation is full of promise - *one shaped by bold leadership, collaborative effort, and a commitment to equity, diversity, and inclusion.*





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Address:

Financial Sector
Transformation Council
(FSTC)

Kopano on Empire, Suite 3

30 Wellington Road,
Parktown

Johannesburg, South Africa

Contact details

Tel: 087 062 5950

General enquires **email:**
info@fstc.org.za

Reporting **enquires:**
reporting@fstc.org.za

 www.fstc.org.za

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