MR JALI: Alright, morning ladies and gentlemen, once again. Once housekeeping announcement once again, if we could remember to switch off our cellphones. Right there, Mr Weeks, what does the roll look like for today?

MR WEEKS: Our schedule for the day, from 09:00 to 10:00 Mr Gabriel Davel from the National Credit Regulator. Next up between 10:00 and 11:00 we will have Micro Finance South Africa. We will have a short tea break and from 11:30 to 12:30 representatives of the Financial Services Charter Council, Mr Nkosiphendule Kolisile, Collette Cain and a Mr Elroy Paulus of the Savings and Credit Cooperatives League. And then we will break for lunch at 12:30. Just a note for the record, there were two additional submissions not recorded yesterday, that were received on the 27th, one from Siba and one from Intercon.

MR JALI: And one from Intercon? If you could then update your list of submissions which were received.

MR WEEKS: We will do that.

MR JALI: Please. Thank you then and welcome Mr Davel and we really appreciate the fact that you could make time to come and give us this presentation today. You are on the floor.

MR DAVEL: Good morning, Sir. Presumably you have received a little sheet that looks like this.

MR JALI: Yes, we have received your submission yesterday. You may go ahead, I know I received that, I am just looking for it.

MR DAVEL: What I have done is I have put a couple of notes together, just to give some structure to the thing. The things that I am trying to cover is, firstly is I am talking on behalf of the National Credit Regulator. So the first question that I am just trying to clarify is, why is the National Payment System and competition issues such an issue for us, why do we give attention to it. Then I just want to have a quick look at the relevance of access to the payment system and the banking behaviour in the payment system for small transactions and for low-income clients in particular. And when I talk about our mandate I will make the point that our primary mandate comes, relates to the impact of financial credit transaction on the low-income population.

And that is where we believe that the payment system, access to the payment system and the fees coming out of the payment system has the biggest impact. Then I will just look, want to look also at the whole issue of preferential payment processing and link that with a number of changes that was made in the National Credit Act and through the National Credit Act to the National Payment Systems Act, in respect to access to payment instruments. So the point I want to make there is that certain of probably the most extreme abuses has already been responded to through legislation. So the question that we are asking ourselves is, has the problem not already been solved through legislation? Is there any further cause for concern or is the problem now addressed and we should simply carry on?

So what I want to end up with then is to look this specifically from one or two perspectives at that question, is that given the legislative changes that has been made, are there any further potential cause for concern? Let me kick off by, from the National Credit Regulator's Mandate, I just want to read at particularly Clause 13, which is the mandate of the regulator in terms of the development of an accessible credit market. Where it says: "The National Credit Regulator is responsible to

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promote and support the development of a transparent competitive sustainable credit market". That is 13.(a)

13.(c) it talks about monitoring the following matters and report to the minister, issues related to market share, market conduct and competition within the consumer credit industry. Again, you will see the competition reference. If we talk about Section 15(h), it talks about "referring to the Competition Commission any concerns regarding market share, anti-competitive behaviour or conduct that may be prohibited in terms of the Competition Act." Again in specific you will see the point here is it is not that we are responsible as the National Credit Regulator for intervention in anti-competitive behaviour, but we are given an obligation here to monitor potential anti-competitive behaviour and then to refer it to the regulatory agency, which is responsible in that area, which is the Competition Commission, which by the way is the biggest reason why we thought we better come and say something here as well.

And then the last one comes from Section 18(c), which again says, report to the minister annually in terms of the implications for consumer choice and competition in the consumer credit market. Now obviously these sections in the law did not just pop up here because somebody thought it was a great idea, I mean they were, they really came very strongly from the research that preceded the National Credit Act. As probably most people know that that National Credit Act was introduced, went through Parliament last year. The first sections became effective in June this year. The point that I am trying to get to, these fairly consistent and regular references to competition were very, very strongly informed by problems in the consumer credit market, which in the people that were responsible for the analysis of the evidence, which we concluded were related to competition issues and related amongst others to payment issues as well.

Now let me just again read Dr Hawkins' report, the cost volume and allocation of consumer credit in South Africa, which presumably is somewhere in your documentation, I would hope, which was one of the DTI mandated research reports that preceded the National Credit Act. And this, I want to just illustrate where this whole thing comes from, is quite early in the report when we talk, I mean we are talking about page 2 and 3 here, it talks about the areas of the disfunctionality in the consumer credit market. Then, and I am reading from page 3 here, "the difficulties

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associated with accessing the payments mechanism and the unreliability of the debit order collection mechanisms, which makes collection difficult."

And if I go later on in the same page, "the equitable access to the payment system." So, let me finish the story, I will get to what we say out of here. In the same report you will see in for instance page 25, where there was an analysis made of the actual cost of credit in South Africa, at the point when the research were made. Now in this particular table here you will see it is actual quotes from various retailers of credit products, which vary in this table from 62%, 67%, 54%, 72%, it is our effective annual cost of credit for particular products. And there is various other examples, I mean somewhere the quote is made that in the micro lending industry the average cost of a micro loan, and we are not talking about the one month loans here, the one month loans are terribly expensive, we are talking about term loans here, loans of on average about 12 months.

The average cost of those products is round about 90%. In analysing the exceptionally high cost of credit in the credit industry in South Africa, both in consumer credit and micro lending and conventional bank credit, the conclusion that

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was reached through this report and various other reports was that access to the payment system, take one step back, competition issues, the lack of competition and the lack of competition frequently related to payment system mechanisms was a major factor that caused cost of credit to be this high. I will get back to this, let me just keep to my logic here. Is, as result of these factors it was therefore found necessary in the National Credit Act to introduce mechanisms that addresses the competition weaknesses and that makes us as the regulator responsible to monitor the competitive environment after the introduction of the act. So let me move on. Absolutely. I have actually assumed that you have most of them, any of them that you do not have I will...

MR JALI: Okay, right, the, just for purposes of the record, I missed, my machine was not on. The slides will be, your slides will be Exhibit "F" and the research, the publication which you referred to will be Exhibit "G". Can you just give us the name of the research document again.

MR DAVEL: The Cost Volume and Allocation of Consumer Credit in South Africa Report by Dr Penelope Hawkins, for the DTI in terms of, for the National Credit Regulator.

MR JALI: Thank you, then that will be Exhibit "G". Okay, you may proceed then, Mr Davel.

MR DAVEL: The previous bit that I covered here was on what is the rational for this extensive references to competition in our act, where does it come from. What I am trying to get to now is the next and I am trying to get to basic common sense here, not to… because with all due respect from my colleagues from the Payment System, they attempt to always try to complicate the things terribly. The basic logic, the basic problem that we have always seen and I think that is inherent to this whole problem, is that small transactions are inherently expensive to make. If you make a loan of R100 it probably cannot cost you less than what, R10, R20, R30 to make that loan. R10, R20 or R30 would be 30% of R100. The only way to make these transactions effectively and cheaply in volume in the country, would be to use technology and it is to use mechanisms such as the National Payment System, so that electronically you can interface. Second point, in South Africa, any, there is a lot of research on it that compare the cost of the development credit and developmental loans in South Africa, the cost of delivering developmental loans in South Africa to other countries, countries like Bangladesh or Bolivia. And it is very high here and the analysis always indicate it is because our cost of labour being relatively high compared to other developing countries. It relates to low population densities.

In Bangladesh you could have a whole bank with a million clients in a couple of square kilometres probably, maybe 20 or 30 square kilometres. In South Africa you have got the low population density. The issue comes back, the only way to square the circle is by using technology and in South Africa in particular, through the highly developed and sophisticated technology that we have available, to enable the financial service providers to provide the financial services via the technology that is available, to the clients and to do the collections at the lowest potential cost from these clients. If either of these costs are high, therefore if it is high, if there is a high cost related to distributing the loan to the client or to collecting each repayment from the client, it directly impact on the cost of finance for that client.

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It is the direct contribution of the actual cost to the transaction cost, which in small transactions further say would be high. I mean, if you charge R10 on a transaction and the transaction is a mortgage of R300 000 or R400 000, the R10 disappears in the numbers. But if the loan is only R500 or R1 000 and the average small micro loans in South Africa is R700. So once your transaction costs are high it immediately makes an impact. Let me get to the next point though is, in the final and analysis and that is very much part of the philosophy behind South African Financial System, is that we do not have a core philosophy of price control. We have a core philosophy of competition, a core philosophy that says, multiple service providers will provide their products to clients and the final price will be an outcome of the effective competition between these various parties.

Now in the particular transaction type, where the transaction type is now fundamentally dependent upon efficient distribution through the payment system and efficient collection through the payment system, if only certain parties have full access to the system and a range of other parties do not have access to that system, than you immediately have a fundamental constraint on the competition. And an economic expectation that the prices may well be higher than what you would see them otherwise, given the lack of competition. I must apologise that I jump up and down here, because the thoughts get carried away sometimes.

The reality that we have seen in South Africa over the last, at least the last eight years, probably even longer, is that increasingly non-bank financial service providers have started providing financial services to bank clients. Therefore a non-bank micro lender have given a loan to somebody who is actually a bank client as well. Or furniture finance has grown dramatically, in fact from the early 90's furniture finance was probably the primary source of finance that low-income people could get. Again the fine, buying a chair or lounge suite on credit at a furniture shop is a financial transaction, which could as well have been financed through a credit card.

What we have seen and what comes through, maybe we should get to the other exhibit, because it is going to become relevant just now, is which hopefully I am sure you would have, is the report from the competition in South African banking investigation, which was done by the task group for the National Treasury in South Africa, the Reserve Bank. Through this work and I was part of that commission of

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that task group, is what has come out was that as banks and particularly in the low income market, has actually stopped being or has, well, there has been alternative financial providers that started playing a huge role in providing financial services to banking clients. However, banks were still the parties through which the payments had to be made to these parties and definitely through which the collections had to be made.

If I give my loan to a client of Standard Bank and I want to get those repayments back every month, I still have to go through the payment system and get the collection from that bank account. So what has come out fairly strongly is that despite the bank having seized being the primary credit provider to the client, the bank still had the control through the payment stream and therefore in many, and I mean a lot of the research is in the Competition Banking Report, so let me not try to paraphrase it all here, is where Bankserv therefore, by the way that they priced those products, been able to replace the fees that they would have earned as financial service providers, by fees that they know and as people that operate the payment mechanism.

Now *persa* there is nothing wrong about it, the problem becomes obviously when those prices are set above the level that they should have been set. But again, let me conclude this whole point before I move to the next one. Is, the core point that I want to just here make, which hopefully is fairly obvious, is that it is really in terms of the small transaction and the low income market where these things have their biggest impact and where the negative impact of overpricing or lack of competition is most usually felt. Now, in the slides example 1, I want to just illustrate this. Now the table there comes from this Competition in South African Banking Report. And what the table does, it is for various savings accounts to indicate the effective interest rate on those savings account.

Now let me just read them here and this is straight from here, so if I lie then the report lies, but this has been in the public domain for a very long time and I do not believe anybody has challenged the validity of these numbers. So we can assume them to be wrong, to be ...

MR DAVEL: ... this is the impact of the transaction fees being levied on a small transaction where the balances being affected are small. Therefore the transaction fee

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wipes out any interest that may have been paid on this account and makes it a negative return. Now …

MR JALI: Just for the record, you are reading from page … (indistinct)?

MR DAVEL: I am reading from page 2, yes, slide …

MR JALI: Just for the record, you are reading from page 2 of Exhibit "F"?

MR DAVEL: Yes.

MR JALI: Okay.

MR DAVEL: Now why are we so, why were we so concerned about it into the Competition of Banking Report and why even as the National Credit Regulator are we so concerned about it? Is if people are disincentivised, well, if people get a negative return on their savings, if every at the end of the month they see the savings balance being lower than the beginning of the month, then the logical person stops saving. South African, any poor person in the world is logical, they do not have money to waste, therefore they look at the impact on their bank balances and they

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stop saving. What do they do now then when the next cash crisis come in the household, when the kid falls ill or when a family member must be buried? To have to go and borrow, have to go and borrow at the very high interest rates that we see in the lending environment in South Africa.

So the impact of the fees on savings account directly relates to the borrowing behaviour and it very, very directly impacts on household welfare. Let me get on before I get carried away. Let me just read from here, because this is the core point, is the major reason why saving returns are so negative, is the impact of bank charges with debit order rejection fees having a particularly severe impact. Now I will get back to that just now. But it is now again the issue that say that in the small transactions the fees make a huge impact and makes a huge impact on the lower income market in particular. But let me get to the debit order rejection issue.

Okay, let me just take one step back, we have done new numbers on these, I mean these numbers are about three years old, now the numbers that I ran, which were from web-object or pulled the numbers out of website, in all the cases the negative

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return was more negative. So I felt, let me rather stick with what we already have, it looks bad enough.

MR JALI: You mean the latest numbers are more negative than this?

MR DAVEL: The latest numbers that we did is more negative than that. Once we verified it, I am quite happy to submit it to the Commission as well.

MR JALI: I would really appreciate it if we could have that, yes, because we are still relying on these numbers, this information we have up to now, coming from this report, yes.

MR DAVEL: Let us now get to the debit order rejection fee, which is again or which probably get closer to the core of the problem here, is in the cases that we have looked at, the return debit order fee, so that is the fee that the bank charges the client if that debit order that was supposed to be processed did not get through, did not go, there was not sufficient money in the account, therefore the debit order got returned, got rejected. The debit order rejection fee, currently is between R35 and R50 in these institutions on that list, that is the numbers we looked. Three or four years ago it

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was, those numbers were between about R60 and the highest one that I remember was about R130, so they have come down.

But at the levels that they are now, forget what they were before, at the levels that they are now, between R35 and R50, these negative returns on the savings accounts that I just read increases to be in the range of between –12% and the most negative, remember the most negative one was about 19%, negative return on the savings account. That most negative one now becomes –43%, which was modelled on the assumption that twice in the year a debit order to a client gets rejected. Why does it make, it doubles the negative return on this account, why does it make such a big impact? Because the fee at between R35 and R50 makes such a huge impact on small transactions, it is clear.

The numbers I could not find in the speed of preparing for here, but if you multiply the debit order rejection fees in South Africa by the number of debit orders that is rejected, and I think that is a number that this inquiry probably should try to get, if you multiply those out you have a direct income line, primarily originated from the low income population, on transactions which for various causes do not go through people's accounts. And I mean this is not always the fault of the client. Now let me just make a different point though, is obviously, there where the bank are processing a transaction, they must charge for the transaction. By no means are we at least and in many of reports that I was involved did we ever say these transactions should be fore free. The question is, why is the cost between R35 and R50 now and why was it between R60 and R130 three years ago?

Because the first problem we have here is, on a debit order rejection fee there can inherently not actually be competition, because you do not go and buy, you do not go and open your savings account on the comparison of the rejection fee levels. And if it is a product that is not subject to competition, then surely we need another mechanism of overseeing this price. Now in Australia the principle that they followed is that certain of these fees, by principle have to be set at the cost-plus level, *i.e.* percentage being defined as a reasonable return and that must be based on the cost now. Why I am raising this issue and just, very difficult to say whether a R35 is high or low but anecdotal evidence or we may even pull out of this report, if you go and look at the debit order processing fees you would find that they are between R2 and about R10.

Then you ask yourself immediately now, if my intuition would be between R2 and R10 probably sounds like a fair number for an electronic transaction. I mean this is not a manual intervention, this is transaction that is automatically being rejected. If between R2 and R10 is a fair cost base price for it, why is it being charged between R35 and R50? And again, remember why I am getting so passionate about this, it makes a very, very big impact on the low-income market. If people in the low-income market do their finances as such, they are living so close to the breadline, to zero balance, that it does happen fairly often that there is not sufficient money in their accounts for those transactions to be processed.

So it is really important for them that the cost that they have to bear for these transactions, be it at least the lowest price available in a competitive market or very fairly close to the cost, which the competitive market should hopefully get there.

MR JALI: Mr Davel, earlier on when you were pointing, when you were referring to this report, you talk about Exhibit "G"?

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MR DAVEL: I was reporting, yes, I cannot remember, which exhibit do you … ?

MR JALI: No, no, when you …

MR DAVEL: Oh, the debit order fee, that is in this one now.

MR JALI: Yes. Please, try to indicate which one, because we have all been reading report, will not be able to follow what you are talking about.

MR DAVEL: If I can remember which exhibit is which. What is this one.

MR JALI: Just "G".

MR DAVEL: "G"? And this one is "H" then? "F"?

MR JALI: Okay, are you submitting, you will be submitting that?

MR DAVEL: I think you have it, but …

MR JALI: Yes, we have it, but we do not have it on our record, that is different, so we just want to have it on our record. Okay, that will be "H".

MR DAVEL: "H"?

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MR JALI: That is the Task Report that will be "H".

MR DAVEL: Okay. I am getting there. The example 3, I think in the, or no, let me not skip it, it is example 3 in my slides, which really deal with the impact of transaction and transfer fees. Now it is sticking to the theme, maybe the point, only again, I did not point it out when I was at the act, but as the National Credit Regulator, our core objective, our core mandate given to us by Parliament is to look at low income population, low density populations and there is a third one which I am forgetting right now. But you know, so the impact on low-income population, what we have to look at per mandate, is …

And in example 3 of the slides, we have just again pulled out of these reports and I think these came from Exhibit "H" …

MR JALI: You can just refer to them by the name of the report, if you want.

MR DAVEL: Competition …

MR JALI: Because we have already placed on record which one is …

MR DAVEL: Yes, Competition Report that will be easier.

MR JALI: Yes, okay.

MR DAVEL: It is, you are talking about the actual transaction, the cost to a low-income person of making a transfer. Now in this thing and let me just see, it is about R24 for the cost of a money transfer, domestic money transfer, I have got an idea that this was based on a Post Office transfer, the cost, in this table I cannot quite quickly see the cost of a transfer through the normal banking. So the point again that we want to make here is that in the financial behaviour profile of a low income person, given the very, very high levels of migrant labour in South Africa, it is an absolute common occurrence, that somebody earns money in Johannesburg or Pretoria or somewhere and have to transmit it to somebody else, a family member that may live in Transkei or in Northern Province or somewhere else.

If these costs are any, any higher than they absolutely must be, it makes an absolutely direct impact on the level of wealth, the level of income of low-income vulnerable people in this country. And the fees and there is again, in the Competition Report there is a lot of statistics on it, so I am not going to try to go through that now, is

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there is a number of these fees being extraordinary high, given the technology that we have in South Africa. And it makes a very direct impact on people's incomes. I am going to close this whole theme that I was busy with now, which was all about the transaction fees and these fees in terms of low income transactions, getting to a different topic altogether, which is called preferential payments processing.

Now firstly I just want to run through what we talk about when we talk about preferential payments processing. I will make the point that in the legislation it has been addressed, the problem potentially has been addressed and then sort of at the end of the question is, has the problem now gone away or may we have only partially addressed it? Let me just fairly formally go through the issue that we are talking about, this is the slide, I think 8 per the presentations, it says C at the top. Preferential payments, when we talk about preferential payments processing we talk about agreements between banks and other parties, which allow for that bank, through which that bank agree that they will process a payment that is in favour of one party before other payments.

Therefore, let me just stop there, so therefore, if I am a bank and there is let us say retailer over there, I now go into agreement with this retailer that says, if they will pay me whatever percentage of the payments or whatever amount, then whenever the debit orders hits the bank account, I will always pull out their debit orders and I will process them first. And thereafter I will process anybody else's debit orders, irrespective of what the account transaction type is or whether it is the mortgage or anything else, that is what it is. This is not, I mean this, I mean hopefully horrifies you, because this is fairly blatant undermining of competition. What this has done in the micro lending industry in particular was that certain, that the lender that has the benefit of preferential payment processing, can therefore argue that they never have to do an affordability assessment or a risk assessment.

As long as they make sure that the repayment that they must collect, that they have on their low, as long as the salary is more than that repayment, irrespective of how many other debit order this client already have, they can make the loan, because they know that their payment will go through first and they will get repaid. There will be a default, obviously if the client is over-indebted the client cannot make all these payments. But me the reckless lender, who caused the client to be over-indebted, will get my money back but somebody is going to get the default, somebody else is not going to get their money.

And that was our fundamental problem when we were the Micro Finance and Regulatory Council, it was our fundamental problem when we were doing the work for the Department of Trade and Industry as well. Given that there is a preferential payment processing it is an incentive to reckless lending, it means that people do not have to face the logical market discipline of the potential for defaults, because they can process their payment first. Now I am not, well this is, there is no doubt that this is, I mean if needed, if in the questions time, I mean I can describe to you two or three or four mechanisms through which it happened. It is, I think it is a fairly accepted fact, very accepted fact now, that this happened.

Just before I move on here, this was not only, it was between banks and micro lenders quite common, in certain micro lender insurers definitely were part of this game, I mean many, many insurance companies had such preferential payment processing, which then got the same impact. You can sign up as many policies, irrespective of the person's financial position, your policies will get paid. Insurers, various parties, furniture traders had certain mechanisms like this.

The point that I want to end up is that this was a very obviously and clearly, an abuse by banks of the responsibility that they had, to manage the payment system in a new neutral and in the way that they managed the payment system they undermined the neutrality of the payment system and they clearly undermined the integrity of the payment system.

It created incentives for reckless credit extension, incentives for increased over-indebtedness, it increased the risk for competitors and responsible credit grants. Just to stop on this point for one moment, is in the research, this is the cost volume allocation of consumer credit report, the profile that one see of low income consumers just borrowing, is that they have a lot of short term debt, very, very little long term debt, very, very little housing debt. And then when you start looking at something like preferential payment processing, then you say, if I am a bank in this case that want to give a mortgage to somebody that has repaid, payable over 10 or 15 years, do I really want to take the risk that in some point into the future somebody else will put a preferential payment mechanism on here and I then have a default. So it impacts on the manner that the whole market operates.

MR JALI: Right, Mr Davel, sometimes if you could go a bit slower, some of the panel members are trying to take notes and they cannot keep up with you.

MR DAVEL: I sometimes cannot keep up myself here. On slide number, there is a 9 on the slide, this is the last point, point 5 there, I have not, I mean I have not expanded it enough in the presentation, so I must just make it clear, is the reduction innovation. And I am relating it again to the control over the payment system and also these preferential payment processing that we have seen, is... Let me take an example, completely different example, in terms of SME finance, is SME finance and I will get back to it a bit later on, is SME finance is probably one of the biggest constraints that we have in South Africa, that there is not sufficient volume of SME finance going to, well all types of SME's and in particular black small businesses.

There is a whole chapter in the competition and banking report devoted to the topic and I mean it somewhere only explaining what is there already. But if you take a company like Vetsak, who gives agricultural equipment, in the properly functioning financial system you would want them to start saying but, we are selling equipment here, let us finance the equipment at the same time. Because we know who are the small farmers who would do the best, who are the best farmers, because the probably purchased from us over a long time. All the complexities are business. For them to finance this piece of equipment would mean that they would require some level of certainty on how they would be treated in the payments processing and in the long term whether they will be able to get their repayments back.

Once you have got this kind of intervention, manipulation on a simple mechanism such as the National Payment System. All kinds of alternative service providers, non-bank institutions, commercial and financial non-bank institutions, just pull out of the market and say, in that gain which is controlled by those parties who control the system, we simply better keep out. Because if we try to finance there, then we are likely to loose our money. Now once that happens you immediately have a lack of innovation, you immediately have a lack of supply, you have a limited access to SME finance, which we see in South Africa.

I hope I still make sense here. The next point that I just want to make here, because this is fairly important, is that through the National Credit Act and lots of consultation between the Department of Trade and Industry, National Treasury, the South African Reserve Bank, all these parties had huge engagements and there was then the consequential amendment to the National Payment Systems Act. Can I just ask, has this been discussed in the committee before? If I can ask the committee members.

MR JALI: No, it has not been, it has not been discussed.

MR DAVEL: Not been discussed? Good, then I better just go through it because it is probably fairly important in this context. Is that, I am reading from page 220 of the Act and which means this was, and this was the consequential amendment to the National Payment System Act that was affected through the National Credit Act, which mean this amendment is now in the NPA's act obviously. Which then said, effectiveness and efficiency of the National Payment System and then it says, "as of 1 July 2006 a person may not change, manipulate, maintain or apply a payment system in any manner that provides preferential treatment to a payments instruction over any other payment instruction in that system, unless such preferential treatment is prescribed by law."

And then there is another sub-point. "A person providing access to", this is sub-point 3, "the person providing access to or allowing participation in the payment system may not deny any person access to or participation in that payment system if that second person meets the criteria set by the first mentioned person." So what this has been intended to achieve is firstly to say that there should be no preferential payment processing, they must all be processed objectively and this is clause 6(a), sub-3 of the National Payment System Act, then also say that "whatever payment system you have, all parties must have equal access to that payment system."

So the point that I do want to make and I think I did say it upfront as well, is that the preferential payment processing issue has fairly fundamentally been addressed through these two legislative interventions. The question I am going to ask a little bit later just is that are there any other gaps remaining or has this been sufficient? I just want to, quickly in closing this part of the… Let me first point out then, if you take in the Falkena Report, the Competition Banking Report, the recommendation 6, 14 of the report deals with this preferential payments processing and we would think that these interventions had effectively dealt with that.

In the National Credit Act itself there is also Section 90 of the Act and I am talking about Section 90(2)(m) & (n), which are provisions in the National Credit Act that prohibits any preferential payment processing to be made a contractual condition between the credit provider and the consumer. So if any credit provider tells a consumer let us say, you can only get a loan from me if you ask for a preferential processing of such payment, that would be *persa* illegal in terms of the act. So to some extend the issue is addressed there or I would say this is, this preferential processing is fairly bluntly addressed. But the question in this last, I am getting to the end, the last couple of slides, the question that I am just trying to get to is that is this now a sufficient, it is obviously we would think a necessary intervention, but is it a sufficient intervention, given the problems that may exist.

And the first two things that I want to immediately flag and get back to some extend later, is if one go back to the Competition in Banking Report and you look at… You also have recommendations 10 of the report that talks about the principles of

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interoperability in the payment system and the transparency of access to the payment system. You talk about then this recommendation 11, "Government should investigate the feasibility of implementing a narrow E-money directive that would allow suitably regulated non-banks to take part in the electronic transmission facilities. The definition of E-money can be restricted to small amounts, I mean let me not read through that, because it is in these documents.

Just to illustrate what we were trying to get to here, I mean given that I was part of this report is, what the E-money directive in the UEU was trying to achieve is trying to allow for regulated access to payments processing infrastructure by entities who are not banks, with the primary argument that is well-made everywhere and that there should be no doubt on is, you do not need to be a bank to do payments processing. I mean there is very big parties in the rest of the world that do payments processing that are not banks. Getting to the point, that if there is further such participation in payments processing, other entities that can access the system, you immediately increase the numbers of options available and the level of competition and presumably the cost that the user of those facilities would bear.

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That was simply to illustrate the point of why issues like the E-money directive and the interoperability becomes important in resolving the problem. But let me now try to conclude in terms of asking the question that are these pre...

Reports such as the Crook Shank report in the UK, where there was the Crook Shank Report and two further reports thereafter, where they investigated payment system problems. In the UK they do not have preferential processing. So they had a competition problem in relation to the national payment system, without having preferential processing issues altogether. So we have purse in expectations here, that the problem of access to the payment system, is not as it was actually in South Africa and to some extent up to now, only related to preferential processing of payments. So which mean that, we have an expectation that, even though we have addressed the preferential processing issue, there may well be other problems.

Now what are these potential other problems. Now let us just, maybe skip township housing and stick to SME finance. This may be getting back to the example that I used earlier, that the, from a main stream back, a small business, micro enterprise or small township based business, is not necessarily what they see as their co-client base, the co-client base is probably with big houses and lots of money. However, there are other parties in the economy that see these small businesses in a township environment or wherever they may be, as their co-client base. The only way that they can play this role of financing them is if they have effective access to mechanisms through which they can process these payments, first number point.

The second point, and this is a big point that they made in the UK in terms of the SME Finance in the payment system, is that the first problem you have on competition in SME finance, is the problems of the SME in shopping around. If there is a possibility for the SME, I mean the SME frequently has a personal funding line to the bank, probably have their home loans through the bank and their credit cards of the bank, now in their business finance as well to the bank, if there is any risk of the SME by taking a loan from a competitive bank, losing the benefits that they have in their finance, you immediately have competition problem, you immediately have a limitation to this SME's ability to go and shop around.

And it gets obviously a lot worse if this shopping around takes you to an entity that is not even a bank. Now, I need to now start getting this complex argument to a close

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here. The question must remain though, is that, has this got anything to do with the payment system, I mean is this not just normal business logic. But the point, I mean our conclusion from a lot of these reports and very bluntly the conclusion in the Crook Shank report in England as well, has been that the national payment system as the central infra structure, through which the payments are being processed, all of these financial services providers are dependant upon effective access to that system, and effective processing of their payments.

If they do not have that effective access, then immediately the competitive environment between them would be such, t hat for instance, a main stream bank would say well, I will take on your SME finance as long as you also take, push all your other accounts to me as well. Or alternatively, they would say, well, where are you banking, because if your mortgages are over there, I am not even going to make an offer to you. Now that means that the whole, that the primary account holding bank have over the client, now means that the client's other financial services also are pulled back to that entity.

Immediately you have got a lack of competition in terms of the interest of SME Finance. In SME Finance, internationally by the way, that is where a blunt of the problem is recognised as lying. So in conclusion, let me also sort of sound a big word of caution, well which is always the way that we have at least tried to approach this issue, is that the payments system does process, I mean, the number from a recent presentation is R54 trillion per year. I mean, R4.5 trillion per day, I think they said something like the DGP turns over 33 times in the NPS daily.

The volumes being processed through the national payment systems, are huge. It is not a machine that you can go and try to tinker with. The risk of the payment system ever malfunctioning and the cost to this country will be huge. So at no point would we at least as the national credit regulator ever advocate some kind of arbitrary intervention in the payment system, that could never the right solution. Which surely then must mean, the only right solution for a mechanism such as the national payment system on which the whole country is dependant, is that the way that those transactions are being processed, should be absolutely beyond any questions about the integrity.

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It should be absolutely neutral and it should be absolutely transparent, and as far as we are concerned, probably subject to oversight independent of the people that make money out of it. If you can achieve that, if you have an oversight and mechanisms in the system that says, there is no way that the participants to the system, who makes money out of the system, also control the system, if you can take that risk out of the system, then any of the need of arbitrary intervention is also removed. At this point I think I better conclude. Thank you very much.

MR JALI: Can I just ask you a question. You represent the national payment system and the fact that the players should be regulated by an independent body other than the players who are making money out of the system. That will of course include, exclude SAMOS, would that submission exclude SAMOS or will it also include SAMOS?

MR DAVEL: Not necessarily and I do not really think I want to go and comment in that detail, because I mean, because the SAMOS position is somewhat different.

MR JALI: That is why I am asking, because it is my understanding that it is somewhat different. So I am just trying to understand that your conclusion, does that

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include SAMOS or is it only talking about the other elements of the national payment system, other than SAMOS?

MR DAVEL: Let me be specific on where I apply my conclusion to. It is the control over the national payment system and the extent to which, in my understanding, it is currently controlled 90 x% by the four major participants in that system. That is the core issue that I am addressing my comment to.

MR JALI: Okay, thank you.

MR BODIBE: Good morning, thanks. Yesterday we were told by the Financial Sector Campaign Coalition that there are three items for a debit order, which means that to check if there are sufficient funds. Can you confirm that?

MR DAVEL: I think from the angle where I am sitting, you are asking the wrong person.

MR BODIBE: Oh, okay. Because I just want to understand if there are three items in a debit order, does it mean therefore that the fee is multiplied by three, so which means R90,00. So you do not have an answer to that?

MR DAVEL: In this particular one I do not think this is necessarily true, but I think that is a question best answered by the people who actually apply those fees in the system.

MR BODIBE: Okay. The same question I have, is the question of access to the payment system. Am I right in understanding that, what you were really talking about, was more access by non-banks to the collection mechanism, which means their ability to collect from the banks money that are due to them, in which case, therefore, the preferential payment system was adversely affecting some of those people. Will that be a correct interpretation of your submission?

MR DAVEL: In terms of the core yes, I would say about 80 odd percent of what I talked about was exactly that, but just to show one example that is not the necessarily the same as that, is that in terms of the slide that talks about the cost of money transmission, the cost of a mine worker in Johannesburg, transferring money to a family member somewhere else That would be, the question there would be the conditions upon which a specialist in this kind of service provision, gets access to the system in order to make that kind of transfer.

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A related comment which I make, I just make it sort of softly, although I guess nothing is made too softly here, is that the question becomes, a party like the Post Bank, to what extent does the party like the Post Bank who probably have the biggest client base in the country, what ability do they have for their clients to have debit orders so that the amounts can be transferred from the account of their client into a, let us say, into a Telkom, whose account may be held in the banking system. So here you talk about interface between somebody who is not one of the Big Four banks, into a Big Four bank account.

So where I agree with your 80% of what I said, was what you related to, but there is a number of very clear paces that goes broader than that.

MR BODIBE: Okay. So in each case you may choose not to comment on this if it is not in your programs. The question of access to Bankserv, and my question was, these volume based pricing model, would you regard as some kind of a preferential treatment for those who have larger volumes in the system?

MR DAVEL: I probably should not comment but if it does not sound, I mean, some of these things are commercial logic, and some of it, you are talking about volume

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based pricing, volume based pricing on a mechanism where the cost of doing that process and actually go down when the volumes go up, that surely is commercial logic and it is surely something that we cannot try to move against. Then we try to swim against the stream.

MR PETERSEN: Mr Davel, just a few questions just to clarify for myself some of the points you have made. Could you go to your example 1, it is the fifth slide, where you have that table in regard to savings accounts and return debit fees, in which you have set out from the source information there available to you, returns on entry levels, savings accounts, showing that with only one exception there were a negative return and you have indicated that updated figures there could be provided to us. I just want to ask you whether in that table and in the updated figures, the cost of actually holding the account is also fractured in or are you taking into account only actually transaction charges.

As far as I know there may also be in the case of account holders, is it right here, different types of accounts here which could be described as entry level. There may also be account-holding fees, which might in fact make the picture even more negative?

MR DAVEL: We have tried when we did, when these calculations were done, to look at all the fees in relation to that account, so there where we are aware of the account holding fee, we would have calculated it in here.

MR PETERSEN: Thank you.

MR DAVEL: I can just maybe point out, this is coming from page 93 of the Competition Banking Report, it is table 7.4.1 in that report, which is probably a bit clearer.

MR PETERSEN: And that was Exhibit "H", is that right, it is the blue one?

MR DAVEL: Yes.

MR PETERSEN: Then moving on, you made the point that in some jurisdictions where it is concluded that competition cannot be relied on to keep prices down, there is a regulatory approach of cost plus. Would you agree with the observation that that

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itself may not be ideal, because costs themselves may remain unduly high if they are not subjected to competition. So that a simple cost plus approach may still leave the consumer insufficiently protected?

MR DAVEL: I would actually agree, I mean, I think that was the philosophy that we followed here and that for instance either both Crook Shank report and the Wallace report in Australia made, is that the first best solution must surely always be to have a competitive environment where there can be various service providers, because the point you make is, I very, very strongly agree with it.

MR PETERSEN: And then just coming finally to this difficult problem of preference or priority in the processing of debit orders, before I go further, could you just indicate with reference to that amendment to the national payment system act, what section is affected there?

MR DAVEL: It is an amendment to Section 6 of the National Payment System Act.

MR PETERSEN: Thanks. And could you just read that again, just the key phrase prohibiting preference or priority?

MR DAVEL: It says 6(a), I think it is inserted as a 6(a) under 6. "6(a)(1)", then it says "as of 1 July 2006 a person may not change, manipulate, maintain or apply a payment system in any manner that provides preferential treatment to a payment instruction over any other payment instruction in that system". And then it says "unless such a preferential treatment is prescribed by law". That was 6(1) and then in 6(a)(3) it says "a person providing access to, or allowing participation in their payment system, may not deny any person access to or participation in that payment system, if that second person meets the criteria as set out by the first mentioned person".

MR PETERSEN: Fine, thank you. Now what I want to ask you about, just to get this clear, you graphically described the undesirable consequences that flow from arrangement for preference to be given to subsequently dated debit orders. I am assuming that, all the debit orders that we are considering in this hypothetical analysis of falling due on the same date, that they would have been, is it taken out or registered, the debit order instruction would have been a regularly given on different dates, so there would be a chronological order and in that sense, a common law priority, I would imagine, in regard to those debts.

Now is it your understanding that the effect of the legislation as it now stands, is to prohibit also the chronological processing of debit orders according to the dates when they were first registered?

MR DAVEL: In our understanding not at all actually, because this is a prohibition of preference. So there could be a whole host of other ways to process the transactions, which may or may not be desirable, but as long as they do not give preference to a, and it says specific, to give preference over a particular payment instruction above another payment. So this is a prohibition of, a negatively stated prohibition of preferences, rather than a positively stated requirement to impose an order. But if I may, or would just like to respond to your comment on the common law ordering as well, because the principle, the way I have always understood it, in terms of my bank account, is that when the money hits my bank account, it is my money.

What I want to do with the money is up to me. I mean it should be as far as possible close equivalent to cash. If I decide to pay Person X first before Person Y, it should also be my right. The problem of trying to, and we had once off debates on what kind of processing is better, but the problem for instance by something that imposes for instance a chronological processing in respect of whether it is the signing of the original contract or whether it is the date of imposition of the debit order, is that life is more complicated than that.

Somebody may have a speed fine, and they say, I better pay my speed fine now, otherwise I am going to jail, or somebody's mother may have been ill and she is in the hospital, and I say, now I must pay the hospital, now these are personal choices, that we all face all the time. If we are wealthy enough, it actually does not sort of matter, because our cash and overdraft facilities are enough to make us being able to manipulate the thing. If we are the low income, where our regular expenditures are this close to our income, it becomes, once the system impose a particular decision on us, it actually is already sub-optimal, because surely, this is my bank account.

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Once the money hits my bank account, it is my money, and I do not want to get carried away, but the related problem that we have seen and it is documented in this thing, has been the extent, I mean, neither bank ... so it is not an anti-bank statement here, but banks have had an approach to dealing with banking, that says, the client is mine. Let me make the example clearly. The related argue which we, and this is why part of this was phrased like this, is where the bank, I hold my account with the bank, my salary gets paid into that account.

The bank would then say, but you also have a loan with me, and they would then apply the so-called common law right of set off, which is being outlawed in terms of credit agreements through the national credit act, and then, the argument that they follow, to say but, you owe me money on your bond, any amount that is paid into your bank account, I will immediately expropriate first. Now again that fundamentally breaches the principle, that this is actually my bank account, it is my money going into my bank account. Apart from the fact, that if we follow this common law set off, the bank now actually would be in the position that they could become very ... (indistinct), because the bank now sits in the same position, that they say, well it does not matter if I over-extend the client, because whatever salary they have, I will grab immediately.

The second huge, anti-competitive impact that it has, is that any non-bank service provider to a client who is the blank client, will immediately have a disadvantage, because they said, whatever I lend to this client, and I want to recover my payment, given that the salary gets paid into the account held by the bank, the bank is always going to have first right to that salary in that account, which, the principle that we then arrive at in order to solve this problem, was to say, as a bank you have got an account holding relationship with your client, which is governed by the mandate of that account. You have got as a creditor a relationship with a client who is also a creditor. These two relationships should not be moulded in one ... (indistinct) to set a relationship, and they must be treated separately. And as the creditor in the creditor relationship, there should be equal competition between all the creditors. Do not, because you happen to be the creditor, and the account holder, merge these things into one and not get benefit for yourself as the account holder.

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MR PETERSEN: Thank you, that has clarified a lot for me. In relation to the debit orders, I understand your point completely that it must be for the customer to either maintain or change or stop any standing instruction to the bank or draw money out of the account as the customer wishes to do. But to the extend that there are valid standing instructions, all there to be processed on the same day and therefore at the same time, I understand your answer to be that there is, as you understand it, nothing in the legislation which prevents those being processed in the chronological order in which they were registered.

MR DAVEL: Our law does not define that, but even beyond that, I am also not necessarily saying that the client should day by day have the right to change that order in any way that they want. Because once you have that you now create the position that the next creditor come and say, I will give you a loan, as long as you put me now first. Two days later the next creditor say, well, I will also give you a loan but then you must put me first, finally we are back to chaos, which is where there is, which is why we phrase it negatively in the debates that we had with the various parties here, was to say, a system that creates order and a level of predictability is

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clearly desirable, as long as the system not designed to benefit a particular party or to compromise another set of parties. That was actually ...

MS NYASULU: Mr Davel, I must apologise upfront, because I am about to take my revenge on you, because my thoughts are also all over in terms of the questions that I have to ask you. Just to clarify and I am trying to find the best way to phrase this, you made reference to the fact that because the banks have, I think you said a monopoly on the National Payment System, in such a way that even where the non-banks have some lending products for consumers, because they have to execute them and collect through the National Payment System, the banks become the intermediaries and therefore there is a double cost to the consumer, as I understood you. Do you have any slides or figures where you can demonstrate how the consumer has had to pay double because the banks are intermediaries in the National Payment System?

MR DAVEL: I have got so much information that I confuse myself with it, but the one, one of the slides that I cut out of here, because it was not, I did not have all the numbers, is that in the current scenario and this I confirmed in the discussion

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yesterday, I just do not have all the numbers around it yet, was that if a non-bank entity wants to get now a payment through one of the mechanisms, this non-bank that, let us say a company, must now contract with a service provider to whom they will have to pay a fee, contact that service provider, then goes to, I think it is called the issuing bank or is it the acquiring bank? Acquiring bank. Goes to the acquiring bank, to whom a fee is paid, then go to the issuing bank, to whom a fee is paid.

So we have at least three mouths to be fed in this cycle. What exactly those numbers are, I do not have hard numbers of, but that is the ...

MS NYASULU: So, were you referring then to this non-bank entity being possibly a retail entity? Okay, that is fine. The other one that I need clarification on is again you made reference to the fact that on the preferential processing of payments you made two statements and I am trying to make them talk to each other. One was that there are bilateral agreements between say a bank and Entity A, which say we will pay you a fee, so that you put us ahead of the queue in terms of paying our debit order. And then in the same breath later you then said that there is a law or it would be illegal for an entity to ask a consumer to sign something that says, I will only lend

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you or give you access to this product if you will sign something that allows me to have my debit order treated preferentially.

What I would like to understand is, which, what actually happens? Is there a bilateral agreement between a bank an entity or does a consumer actually sign those rights away?

MR DAVEL: I think partly both existed and alternatively both are possible. So starting from the front is the market conduct to which we reacted was the fact that there were these bilateral agreements by which people got preferences. But we also anticipated that even if there was not such a bilateral agreement, the credit provider, from his or her side could now tell the consumer that says no, there is no bilateral agreement, but I am going to put a condition on you to require that your bank pay me first. Now in terms of the law, remember the National Credit Act, in these sections, only become effective in fact next year June and the NPS amendment was only affected this year June.

So in the NPS amendment it then makes the bilateral agreement illegal, in the National Credit Act, Section 90(m) I think it is, it makes that the imposing the requirement through agreement illegal as well. And in Section 124 it also makes, and Section 90(n), it makes the set-off in the bank also illegal. So we have tried to sort of anticipate three different ways of implementing that transaction and tried to make all three of them illegal.

MR JALI: I do not think there are any other questions for you, Mr Davel and thank you very much for coming. Right. Mr Weeks, what is the position?

MR WEEKS: Chair, Micro Finance South Africa want to do a PowerPoint presentation, we need just three minutes to put the memory stick in and …

MR JALI: To set up?

MR WEEKS: Yes.

MR JALI: So we take a five-minute break.

MR WEEKS: That will be fine.

MR JALI: Just to allow Micro Finance time to set up.

(Enquiry adjourns)

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(Enquiry resumes)

MR JALI: Right, morning again, ladies and gentlemen and welcome to the team from Micro Finance South Africa. And we really appreciate the fact that you came and you may proceed. I see there is a presentation, a copy thereof, so we will enter that in our record as Exhibit "J". You may then proceed.

MR FERREIRA: Thank you, Chairman and thank you for the opportunity. I need to say on a lighter note that the Credit Regulator is the previous CEO of the MFRC, our regulator. And some of the views which we will be sharing with you today, we share with him, because we come out of the same industry and clearly we have not been colluding or comparing notes.

MR JALI: We are very concerned about collusion.

MR FERREIRA: In fact, in the original programme we would have presented later today. So thank you for the opportunity and we are looking forward to engaging with the committee. The team you have in front of you, if the technology agrees with us, myself, I am Hennie Ferreira, I am the CEO of Micro Finance South Africa, I will tell you about the organisation in a moment. And my colleague today is Mr Mark Seymour, he is the chairman of my board, a democratically elected board and he has also been a board member and very active with the MFRC since 2003 up to 2006, at which time the board has now been replaced by the full National Credit Regulator's board.

Very briefly, that is the content which we would like to follow today. There is some duplication with what have been said before and we will try not to get too deep into that. Looking at some of the questions which has been posed by the commission, we will probably focus more on point 4 and 5. And Mark, being a person who is in business, in the micro financing industry, will be handling that side of the presentation. Just very briefly about our organisation. Well, like all good organisations, have a mission and a vision. We are a Section 21 Company, we have been in existence for 10 years and really we are here today because we believe in the industry, that we believe that there are things that needs to be done to ensure that the industry is sustainable.

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Just our credentials, very briefly and I think very important is the bottom there. We have registered with our office 1 400 offices throughout South Africa and all of those members are registered with an appropriate regulator, which then used to be the MFRC and we are now working through the time of transition to the due date of next year. At the risk of being seen as arrogant, I though we need to just share with you the organisations which we as an industry body have relationship with, both nationally and internationally. That falls here under the ambit of our roles in terms of advocacy. And us being here today is not a question of just pitching up and hoping to get some airtime with the commission.

We have been working at the advocacy level very hard. The previous speaker, Mr Davel, spoke about the consumer which lives on the breadline and sometimes below the breadline. This particular individual we call for purposes of this meeting today Marvin. Marvin is a typical client of ours, of my members and in fact this picture was taken of Marvin addressing members of the Portfolio Committee and other regulators last year, telling his story about what Micro Finance has done in his life. And I cannot do it with the same passion, but the bottom line is that he lives in a

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situation which at that time was almost destitute. He lost his job, he had family troubles and through that time the micro finance here walked and lived with him to the point where he now is in a permanent job, earns a fairly good salary and is actually studying to become a manager, all with lending and borrowing which was facilitated via our member.

So to us this guy is really king. He is the guy who decide how our businesses should be run. If at the end of the day Marvin does not find satisfaction in our offices he will either join the underground people or he will in person go under. We are acutely aware, Chair, of our reputation, a reputation in which people call us loan sharks. We have put in tremendous effort and so has many people before me over the last 10 years to deal with that.

And probably the last year one of the most important processes was that in the process of engaging around the creation of the new National Credit Act, we went out and said that loan sharking we despise, we hate it with the same passion as I think many other people in South Africa, but we are certainly proud of being part of micro finance and I think the award which Professor Eunice just received a couple of weeks ago, the Nobel price, probably made us all proud.

Just to say also that during the formation of the National Credit Act we were in Parliament and we actually made some serious submissions there. The picture on the screen illustrates I think our sense and our emotion and that is that as far as we are concerned we are on the wrong side of the fence, as far as the NPS is concerned, the National Payment System goes. In saying what I am going to say today and hopefully our discussion which will follow today and in the months to come, we are certainly not out into bank bashing, as has been said by the regulator, there are lots of good stuff which we can talk about, but in our daily business lives we are now consumers who live on the wrong side of the NPS fence.

And I wanted to say to you that we have had a history of doing particular things, I have got quite a bit of documentation to prove it. But just to say that there is reports and research going to back to 1995, there was court cases, expensive high profile court cases in 1999, 2000. There has been research paid for either by government or by ourselves, up to 2001, in which the issues of being part of the payment system has been highlighted and the consequences of not being part of that. I want to say to you that probably one of the more important events was in 2003 and I call it the totem story event, where under the hospices of the South African Reserve Bank, players like ourselves and others who do not have proper access to the payment system, got together and we had to start addressing the problems of serving Marvin and serving Marvin effectively.

And over a prolonged period work has been going on, which culminated in some events earlier this year, which I will come back to in a moment. I also need to say that in that process PASA was active and instrumental and what has happened in 2005, specifically with the outlawing of the preferential debits, is watershed, we do have some concerns and we will pick up on those as well. Probably the most important, as we sit here today, the Commission may or may not be aware of a system called EDO, the early debit order system, which was launched earlier this year on 18 September, following the Tim Store process and which basically is giving us some product which should be able to serve Marvin.

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I think we need to say a couple of things around it, but EDO is part of a journey, it is not a destination in our mind. EDO is not the beginning and the end-all and all the difficulties that needs to be managed has been managed. I also need to say that that impression has not been given to us that this is the end of it and the final product, but we need to say it in public. We are extremely concerned and it is indicative of the dilemmas we have to manage, being on our side of the fence, that even today, after the product within the market, pricing has not been finalised. It is like going out, buying your new Volvo, driving it off and getting your invoice two months later.

We are still concerned about the cost of managing insufficient funds, even in the EDO system. Marvin lives very close to the breadline, things do happen in Marvin's live. A simple thing that his employer who is supposed to pay him on a Friday morning, pays him on a Monday, causes havoc in his life. We are also concerned and I know every effort is made to harmonise the various pieces of legislation, which should help us manage the issues around preferential debits. We are concerned that there will be a rush to payroll deductions, which is nothing else than a very different

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from of preferential arrangement. It is registered on the screen with many people but it does concern us.

I also need to say that in terms of EDO there are accounts which is excluded, certain banks have chosen to exclude the Mzansi account now the very account which is supposed to serve the man at the bottom of the pyramid is excluded, not all banks have done that. I think this piece of research and this information which came to the market, based on extensive research, only two and a half weeks ago, done by Rural Housing and National Housing Finance Corporation, Finmark, Trice to Development Bank of South Africa and Trans-Union, is at the heart of many of our concerns and it supports what has been said by Mr Davel. Almost every housing micro lender will confirm that his number one regulatory problem over the past several years has been preferential debit orders.

Preferential debit orders do in orderly impact housing, micro lending lenders and raise their risk of collection. Certainly … to the banks that have controlled to debit orders. I think it is a very, very serious situation, I think the questions and the discussion that is pursued here this morning is important. The fact that there are arrangements in the law right now is good, but it is not something we can let come back into the system in any way possible. I am going to make very, very brief reference to the Blue Book, Chair, this document which I am sure has been given to you, which dates back to 1994, which is very much the same time when our battles and our work around the payment system started.

I am not going to go into detail, it is in your presentation, with pages, but there are some very good intend in the Blue Book. I think we agree with the intent and the sympathy and the thinking in that area and certainly would not like to take away from it. If you just briefly look at it you can see that those elements are positive and one would want to participate in it. The line in red that the NPS as a national business asset I think is crucial. NPS in our mind should belong to all people and it should serve all people equally and fairly. The fundamental principles which comes out of the same document, very important says, out of the Blue Book of 1994 it is not the exclusive domain of banks. It talks about working together and to facilitate effective entrance.

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And it also talks about the risk management in terms of managing risk on the one hand and also making sure that it is affordable. Let us be very clear, we are very, very sensitive to the fact that if you play around in the National Payment System in inappropriate fashion, you could harm this economy and probably Southern Africa to an extend which is irreparable, both at the financial and the reputational level. So the point which we want to move onto now and Mark is going to continue now, is what we say is living on the wrong side of the NPS fence. And we hope we can very briefly share with you the experience of living there and how it works and we will also make, probably leave you with some considerations for further discussion later on. Thank you, Chair.

MR SEYMOUR: Thank you very much. So what is the demographics of living on the wrong side of the payment systems fence? If you are relatively small in the case, in our case it seems that size does matter, because a small player definitely is viewed and experiences being at the wrong side of the fence.

If you are not a bank or a non-bank institution, you certainly live on the wrong side of this fence. If you are a relatively new player in the South African Financial

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Services, you also find yourself at the side of the fence. If you are innovative and introduce new approaches, it seems that those new approaches are solely viewed as introducing risk into the system and that also places you on the wrong side of the fence.

If you are competing with banks in terms of their clients and the share of the wallet of the clients, you definitely sit with the same problem. If you are a business aiming to serve the second economy, you also tend to pick up the same difficulties and certainly if you are a consumer in the second economy, you pick up the costs of being on the wrong side of the fence. In the following illustration, and talking about costs, I am going to go through an illustration which maybe would address one of the previous questions asked to the previous presenter, in terms of what happens financially in this whole process.

So, right at the top there I have a very simple financial model that indicates or where the process of the charges start off with, we look at Bankserv and from Bankserv's side, they have an income that consists of their costs plus a certain percentage of margin which I call ***X*** in this example. So at the end of the day they then sit with a

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profit of ***X*** and a profit margin of a percentage that is the difference between the costs and the charges they charged the bank. So on t he next slide we then see, we have the bank, and for this matter I call it "Bank C". Bank "C" charges the service provider or the electronic payment collection service provider, he charges him the Bankserv cost plus ***X*** and then he adds his profit of ***Y*** to that transaction.

Bank C's expenses then would be the Bankserv costs that he picked up, that also included the profit of Bankserv in the process. So Bank C's profit then ends up to be ***Y*** in this equation. We are not sure what that percentage is, because it not information that we have privy to. Then the collection service provider or the CSP then sells this transaction to a credit provider. He charges the credit provider the Bankserv costs plus ***X*** percentage plus the bank's profit of ***Y*** and he then adds his own margin to that transaction, which I call ***Z.*** This service provider then, the expenses that he incurs is the Bankserv costs plus ***X*** and the bank's costs of ***Y***, that he has to pay.

So he ends up with the profit of ***Z*** in this equation. Then we sit with the credit provider. The credit provider makes his money out of borrowing money and charging interest. The current scenario is one where the credit provider only charge interest, he does not charge any other fees or charges on that loan. He does not make money out of facilitating this project. So this cost that comes onto him, is just a solid cost with no income to that, and he then has to pay the profit of bank C, the profit of the service provider and he has to pay the profit that the Bankserv would charge on that transaction.

So this whole cost structure becomes a pure expense and the illustration I have on the right, is just to illustrate how this transaction, this is not the interest earned in the whole process, it is just the illustration of what happens in the physical transaction that goes down to the credit provider. So the question is, who carries the load and the load in our view, lies at the bottom of this pyramid, and if talking of the bottom of the pyramid, eventually this cost ends up with what Prahalat calls in his book, the bottom of the pyramid, the low-income consumer or the bottom end earner of the economy.

He then eventually picks up this cost. Illustrating the point a bit further, to be more specific, this illustration indicates the cost structures relating to a typical R750 loan transaction. The costs that a micro lender has to do that transaction, equates to

R173.49. Of these expenses I have indicated the costs that it would cost the credit provider to collect an installment of such a loan by way of three different service providers, and these different service providers have a varying cost structure of ranging between R27 and R37. I must just point out that service providers see in this case all the costs pertaining to that transaction, is not known at the moment, due to the reasons as Hennie has also indicated and that is the fee and pricing structures has not been finalised.

If we look at the total expenses of the credit provider and we look at the cost which this collection process cost, 20% of the expense of the credit provider, solely goes to try and recover this installment from the customer. And I am just asking myself the question, is this fee acceptable as an electronic transaction, it is not a manual transaction, it goes through a complete electronic process, none of the institutions indicated in my equation actually take the risk of this transaction.

The credit provider is the person who takes the risk in the transaction and is it appropriate that such a fee structure then ends up with the credit provider in this whole process considering what I have just mentioned.

The current situation in the payment systems arena has various consequences on different role players. On a consumer in the second economy it results in a complicated pricing that he or she does not understand or know how these costs are made up. There are high costs that he has to carry or she has to carry in this process. There is a disincentive to save due to the erosion of capital in a savings plan and I think the previous presenter, Mr Davel, illustrated or explained that quite nicely. There is also a disincentive to optimally use the electronic system as money transfers, and for this reason you tend to end up in a situation where a person in the second economy prefers dealing with cash, because of all these disincentives created in our view through the payment system.

The consequences to a player in the second economy is that the bank stands at a competitive advantage due to the ability to pick up lower cost and charges in terms of this pyramid transaction. For example, as I have illustrated, if you are providing small credit into the market, the bank also provides credit into the market. The expense side of collecting that installment, in our case I illustrated it was between, in the region of R30 to R37 to collect that installment. The bank who offers that same

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product to the market, he does not have that cost that he has to pick up in t he process. So the fact that they have access to the payment system puts them at a competitive advantage.

Just on the other side of the coin then, the small credit provider is placed at a competitive disadvantage because, and when we go into the new credit act from next year, interest rates and prices will be capped, the expense side of our models are not capped, because we have to pick up the expenses of these transactions as I have illustrated. So the fact that the bank can increase the cost, or has control over the cost that we have to pay on that, they effectively sit in the position where they can squeeze us out of the market, because of these cost structures, because we cannot from June next year send these costs on to the consumer.

The current dilemma is that the high cost structures and set expenses does not suit the small credit provider. He has no alternative and it is a matter of take it or leave it, because if we cannot go through this process, what other alternatives are we left with to collect the installments. And the dilemma then, it is a matter of take it or leave it. The micro finance industry, in my view, has been stunted in terms of growth due to

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the diversification of the industry, the fact that we have spent so much time and energy over the past ten years to try and participate in the payment system and have involvement in the payment system, I think has taken up a lot of our energy and effort, that could have gone into trying to serve our customer in a better way.

It has limited us in terms of the professional service that we would like to offer our customer. It has also lead to a lot of clever electronic payment systems, the card and pin dilemma that came about due to this problem, preferential debit orders and ghost bank accounts, that was a problem and lead up to the ADO payment mechanism. And then it has also resulted in low investor interest in our sector of the industry.

If we have a look at the road going forward and the challenges that we need to deal with, we have to subscribe to the principles of neutrality in terms of the payment system, and the issues that I think is very important in going forward, are the governance issues, the strategy development on how it will be dealt with or the payment system will be functioning in future, the co-operation with non-banks and smaller players forms a critical part, pricing is of critical importance, the market conducts also an important factor.

And ensuring that the micro-lending industry and their needs are met in terms of the payment system issues. I think it is also a critical component. We currently serve, the micro lending industry serves around four million customers in terms of the credit needs, and this need is growing as time goes on. The payment system also has to act in the interest of all South Africans and I think it was said in the previous discussion as well, the dilemma that one finds is that, the owner of the payment system and the participants in the payment system causes a conflict of interest in terms of the dual role that is fulfilled by similar organisations.

In going forward and being more specific in terms of our requests to this committee, in terms of the payment system, is that credit providers should have access to submit or should the ability to submit their transactions into the Bankserv environment, or that a non-competing or non-participating alternative should be created, because we find it very difficult to be dependant on our competitor to collect installments and to get our money recovered from our customers, and they fulfill that role and yet they are also competing with us out in the market place. So what we are requesting then, if we cannot submit it directly into a Bankserv environment, is that an alternative be created that is not a competitor of ours in terms of our marketing practice.

And if access can only happen through banks, then it is our opinion that that should be at a cost, should happen at a cost basis and that it should not happen on a profit basis then brought down to us. The bottom line then is that the separation of ownership and participation in the NPS is the crux I think of the issue. Thank you very much.

MR JALI: Thank you then Mr Ferreira and Mr Seymour. We will see whether we have any questions for you. I assume that is the end of the presentation?

MR SEYMOUR: That is the end of the presentation yes.

MR JALI: Whilst Mr Petersen is getting ready, I just have got one question on the membership of your organisation, are any of the banks members?

MR FERREIRA: We do not have banks as members at this stage, we do have close relationship with the banking association which is typically where the banks associate. There are also banks which do exclusively micro lending just for ...

MR JALI: That is the reason why I am asking whether any of the banks ... are in the same market?

MR FERREIRA: Absolutely in the same market, you are referring to African Bank and to Capitec yes.

MR JALI: But you do not have them, they are not your members?

MR FERREIRA: They are not members.

MR JALI: Thank you.

MR PETERSEN: Thanks Chairman. Mr Ferreira, Mr Seymour, thank you. I just have two brief questions. In your presentation today and essentially the same information is contained in the written submission that you put in, I am referring to page 3 of the latter, you say "of the 220, a consumer borrows R750.00 from a micro finance here, he repays R975.00 in total, this is your illustrated example, the loan amount plus interest on charges. Of the R225.00 that was the difference between the loan and what is repaid, R173.00 is the cost of placing the loan on the micro finances books. You say 16% of that R173.00, that is to say R27.80, goes directly to facilitating payment by the NPS, assuming the transaction was successful the first time round.

In pursuing the issues which are very helpfully raised in your submission and in your presentation, I expect that we will need to get deeper into the detail of how those figures are arrived at, what exactly the components of those totals are. Can we look forward to having your co-operation in that process?

MR FERREIRA: Chair, we have done extensive work called "activity base costing process". In the light of many processes that is going on in South Africa, impacting the credit industry and specifically impacting our members, providing services to the ... (indistinct) of this world, that information is ready to go to market. We have requested further information from the Department of Trade and Industry who has agreed to make it available to us, so that we can compare our figures to theirs. They have not released it yet but there is a promise that it is coming. We are absolutely prepared to sit down with you at any point in time.

MR PETERSEN: Thank you very much, in that case I will leave further questions on that subject matter altogether now and in due course perhaps have a further opportunity to ask questions in the next round of hearings in March and April next year. Then turning then just to one other aspect. Your, you have used the illustration of the fence, and if I am understanding you correctly, you have described your need for access to the national payment system on the basis of being able to submit transactions into the Bankserv environment and then you put forward certain alternatives.

What exactly is technically involved there, what exactly are the implications of such access. This is not a question that I am asking you to answer now. Perhaps it would not even be appropriate to go into detail on that now, but it certainly is something that we will have to explore in the course of this inquiry and once again can we expect assistance from you in filling in a lot more detail on that, particularly to understand fully all the implications of extending access, if access were to be extended in that way?

MR SEYMOUR: Maybe just a comment on your question, and I think you are right, accessing that mechanism is quite a complex one, which one also needs to get a proper understanding of. But what I can maybe just say, is I think it is important that one needs to understand what are the standards that you need to comply with, or what are the standards to bring you into that system. And if it is a set of standards, then it is something that one can work to and then one can determine, where do you fall short or fit into the mechanism then.

MR JALI: Is that just a comment?

MR SEYMOUR: It is just a comment. I think a set of standards should be known of what, because I think the previous discussion has also indicated that just going into the payment system, there are risks in terms of the economy and what it could do the economy of the country, which is understood. But then the set of standards need to be set to say, what are the standard that a transaction must comply with to be able to submit it into that environment. So it is just a comment that I made.

MR JALI: Just a comment, okay.

MR FERREIRA: In terms of your particular comment, are we prepared to work with you further, absolutely and I think in support of what Mark is saying, we certainly are not advocating that every guy who has got a computer and a spread sheet, must now plug into Bankserv computers. That is certainly what it is all about. It is about standards and it is about getting cost at a level where it is realistic for small players to participate in our financial services landscape.

MS NYASULU: Mr Seymour, a quick question, two very quick questions please, and I am going to ask them together and you can answer them separately. One was, you made reference to the fact that innovation was seen to be introducing risk. Could you just give us an example of the type of innovation that the players would interpret as introducing risk, and then, if we could maybe step back a little bit, back to Marvin, and if you could just walk me slowly through, I cannot wreck my mind around why we have three collection service providers. So I can understand Marvin has borrowed R750.00 from you, and I can understand why there needs to an intermediary, but why there are three in the steps, I am not quite understanding, so if you could talk me through that very slowly please.

MR SEYMOUR: In terms of the question of introducing risk or innovations that come into the system, maybe the best way to illustrate it, is if you do not come into the payment system through a bank, anything that does not come into the payment system through a bank, is considered a challenge or a no-no in my view. So the only mechanism into the payment system is through a bank that can take you into the system. So any other alternative is then a no-no. So I think what I am just trying to point out, any innovation that you want to introduce, that does not involve the bank going into the payment system, is not on the table at the moment, in my view.

Taking you through the process of borrowing, Marvin comes into the office, he borrows R750.00. You go through a process where you do an affordability assessment, can Marvin afford to pay the loan. If he can afford to pay the loan, you load this loan onto the system, and you do it because you have an anticipation that you are going to receive the payment at the end of the month on that loan. To facilitate this payment process, you now need a point of sale device in your business where you can swipe his card through, he enters his pin into that system and this ten activates a debit order that will go off on his next pay date.

So in terms of these point of sale devices, there are number of different service providers who actually offer that service. So the reason for the three examples, is just that you have as choice of three different service providers in terms of utilising the

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point of sale and those are the costs, t he going rates at which you do that transaction there.

MS NYASULU: Okay, so you were referring to a card bases transaction, so ... and the issuers?

MR SEYMOUR: Exactly.

MS NYASULU: That is the example you were giving. Thank you.

MR JALI: May it was a question that was raised by Mr Petersen earlier on. I still have difficulty trying to understand from your presentation, as to exactly how you intend suggesting to us that we should we recommend how the other people should come into the national payment system, because you talk about ... to acknowledge that there might be risk and if I am not mistaken Mr Ferreira also mentioned the fact that he is not talking about any person with a laptop and a spread sheet just plugging into the system. I will really appreciate it if you could tell us exactly the middle ground, how do you say the micro lenders should come into the national payment system. I know Mr Petersen said in your next presentation that you are going to deal

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with it, I just want briefly, so that I understand and prepare for whatever might come in future?

MR SEYMOUR: Alright, maybe conceptually, if I can put it in that way and not technically how it should happen, and just go on a conceptual level, you remember the illustration I did with the triangle that showed Bankserv, the bank, the collection service provider, the credit provider. Now those are the three different steps that such a transaction has to go through before it can go through the payment system.

So the suggestion here is, if we can submit a transaction into Bankserv and you pick up the fees of Bankserv, then you have cut out all of the costs of what the banks are charging us at the moment and that the service provider is charging us to do that transaction, and I think it will have a huge impact on the cost of that transaction in our environment with the benefit that could go down to the end consumer of that. So what I am trying to say, conceptually, is that our entrance into getting that transaction into the system, should be, would make it financially very viable if it could be at a Bankserv bringing that transaction into the system. So you are not making it essential that you have to bring this transaction through a bank.

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MR PETERSEN: Would I be right in thinking that you are talking about cutting out only the micro lenders un-bank, because you have to get paid out of the customer's bank account. So it involves going to the customers banks via Bankserv?

MR SEYMOUR: Yes, and may I say at the moment that does not cost us, I mean that is a transaction from the free structure, that is also, it is a structure between the client's bank and the client. So the fee that I have indicated there is just a fee that comes down you know, to our side, there is also a fee between that customer's bank and the bank, but you are completely right, Mr Petersen.

MR PETERSEN: Okay.

MR JALI: Well thank you, I hope you sort of expand that in your next submission and then we can debate it further. I just wanted to get an idea so that if it is in my mind, I can understand the concept as to how do you intend blending into the system. The last request that I would like to make is that if you could let us have Exhibit J electronically, so that we can be able to use it for purposes of our preparation. Thank you, and once again thank you for coming. Mr Weeks, how are we doing?

MR WEEKS: We area little bit behind schedule, we are due for 11:30, but I thought maybe we should give 15 minutes, maybe 11:45 for a ..

(Inquiry adjourns)

(Inquiry resumes)

MR JALI: ... presenting today and also Collette Caine, she has always been here holding everybody's hand. Okay, we welcome and thank you for coming and you can proceed.

MS CAINE: Thank you, Chairperson. I am just chaperoning my colleagues again today. My name is Collette Caine, I am the coordinator of the Financial Sector Campaign Coalition and yesterday when my colleague, Jan Mahlangu, gave you an overview and an introduction of what we will be presenting to the inquiry, he did mention ...

My colleague, Nkosiphendule Kolisile on my far right is from the SACP and he will be looking at the experiences of urban communities in accessing banks and bank charges. And my colleague Elroy Paulus has done some research for us for the purposes of this inquiry. He will be looking at the experiences and case studies of people in rural areas and also how they experience the Mzansi national account. So over to Nkosiphendule. Thank you.

MR KOLISILE: Thanks Collette, thanks Chairperson. Like it has been said, I am Nkosipendule Kolisile, the District Secretary of the SACP in the West Rand. I live with this community, I work with them, we organise and mobilise them, and we have been very much involved as the organisation in t he past years, on financial sector related issues. We would like to make the following submissions and this follows our several attempts, we have had marches to the banks, submitting memorandums and amongst other things we have solicited from the banks, was a hearing, they came to us, they listened to us, what our problems are and I can tell you that only one has at least managed to respond positively.

I think another questions that faces the community, is the whole question of access, the access ability, that the townships are still completely neglected by the banks. And it is our belief that the majority of people who are using those banks, are those people from the townships, from the shacks, from whatever you call it, squatter camps, all the informal settlements. And particularly here we are talking about the areas such as Mohlakeng in the West Rand, Burgersdal, Khutsong, Kagiso, where you hardly find any of these institutions, whereas people are using them every day and are expected to use them every day at a high cost, because they are I mean, expected to travel to town far away, some at an average of about R10.00 a day.

For example, there is one area Lusaka, a single trip to town costs R6.00. If you take a taxi from Lusaka, there is not even a single ATM to Krugersdorp town and Mogale City. You will have to pay R6.00 in a taxi, just one and the return will be about R12.00. Now we have got a table below where we are trying, in the next page, after this what I think is the second one. I am not going to go blow by blow, maybe I am going to just use two areas here, Randfontein and Krugersdorp, which is now Mogale City, where in Mohlakeng for instance they have got an access of about 51 000 people and only one branch.

And I also disagree with this thing but this is the statistics we get from the bank that they say, there is one branch and if you want to know what is that branch, it is the post office. There is no bank, there is no branch there, there is no branch at all, it is

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only post office in Mohlakeng and there are only two ATM's. And the taxi fare is R10.00 from and to Randfontein town and in Toekomsrus there is no branch, there is only one ATM. And you go to the bigger townships in the West Rand, Kagiso, more than 100 000 people stay there. In fact there is one bank there, branch and I am sure it's this trick because of the post offices, because banks believe that, but again we have got a different view to that.

And you have got those ATM's and when we did our own counting, I am sure that banks are also including the post offices, there are about 8 ATM's, there are not 18 in Kagiso, there are 8 ATM's. Now that is the situation that is facing us. When I was informed that I will be coming to do this presentation, I really did some of the researches and sometimes, I went even to my own bank statement and got reminded of some adamant figures, that, the charges that appeared there, and most of the things are not known by the consumers. People do not know what are these charges for.

You will get a R10.00 still called a fee, R4.90 is still a fee, R2.00 is still a fee and there is a situation where for an example, I, there was an amount of money that was coming from somewhere into my own account, I got charged for more than R50.00

for the deposit into my account. And for example I was yesterday, the day before, I was talking to my wife, there is R400.00 that was mistakenly deposited into her own account and it was taken out, but she was charged more than R30.00 for that. She does not know where this R400.00 comes from and it was taken even before she could only see the statement, and she got charged, I think it was more than R32.50.

Now those are some of the things that we think need to be taken into consideration by this commission. But coming back again to the question of the access, you, as a poor person you get punished several times. You have got no money, there is only R40.00 in the bank, you do not want me to take, because if you have got R40.00, you can only access maybe, but R20,00, not more than that. You will have to travel, spend R12.00 if you are from Lusaka, that you obviously do not have, when you get there you get charged another, I think the consumers are being punished and being punished every day, and because they are poor.

For an example, if because you are poor and maybe you have got a debit order and it bounce, you will get penalised and charged severely for that and you can only sum up by saying that, because you are poor, because you cannot afford and you must suffer more. We think that really needs to be taken into account and be looked into what other mechanisms that can be applied in order to alleviate this situation. For an example, there was a statement that was saying that usually there is only one machine that belongs to one bank. I think that is another problem.

If you happen not to belong or not to bank with that bank, when you go there, like in Mohlakeng on Wednesday, there are only two machines by two banks, two different banks. If the one down there, maybe that you bank with, is suffocated, whatever, it cannot work, you go and use another one, you will be penalised. That machine will penalise you for going to use it, to say why do you use me, because you do not belong here. You bank with that person. We think there has to be synergy, there has to be some kind of talking together, because these financial institutions I think should be co-ordinated somewhere, and if they cannot be co-ordinated, then there must be clear word that says, let there be an ATM for each and every bank, then if I will be penalised for going to withdraw money from another bank that I do not bank with. We think that is another challenge.

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We also think that the banks should educate consumers about what it means to take, or to bank with them, if you bank with me, what it means. How much will be the charges when you maybe expect your employer to you on the 25th, and you go to the bank on the 25th, you will only find that there is no money, your employer has not even informed you that there is no money. You were expecting to be paid and you are going to be charged because you do not have money, but you are charged money, pay money that already the bank is charging you for not having.

We think that is a situation that needs to be looked at, because if people know and understand very well what it means, so that even when you challenge, because these things only arise because people only experience it when they go to these machines. For an example at busy times, it is not even worth going to the nearest bank or ATM's because it will be too full, because it is only one in Toekomsrus. It is too full, I must just make this other example, that there is one day last week, I was rushing to my friend to the bank in the township.

Now I got stopped by the traffic, not even by the traffic cop, by a silly police officer not even in uniform and asked me why do I answer my phone whilst I am driving, but my phone was on speaker. Now my friend got late, the shop closed where this ATM is kept, because when the shop closes, inside the shops, when the shop closes at 18:00 or so, then you cannot access that one. Now he had to go to town, that is another cost, that is another cost. So again it is accessible but not accessible, it is close but not close enough, because after a certain time, you will not have access to it.

Now need adequate access and adequate information from the banks and we need explanation on some of the things. But it is also when I am just summing up, I am finishing now, we do not understand why people should, you deposit money, you get penalised, somebody else deposits money into our account, you get penalised. What is right? You withdraw, you pay, and then makes a mistake, puts into your account somebody's money, takes it without even talking to you, they charge you. Now we think those are some of the things that really need to be looked at and like I said, we live with this community.

The taxi fares are so exorbitant, many people cannot even afford and I heard someone, when I was entering here talking about the second economy. I think we need people's economy and the banks must subscribe to that, the people's economy, that responds to these challenges. Thanks. Thanks Chairperson.

MR JALI: Thank you.

MR KOLISILE: I think we have asked Jana to hand over my presentation to you. Thanks.

MR JALI: Yes thank you, that will be Exhibit K. Are we now going to have a pause and then we take questions later.

MR PAULUS: Good morning commissioners, thank you Chairperson for the opportunity to provide input at this banking inquiry. The aspect I would like to focus on in this morning's presentation, as part of FFC, is, to what extent of bank charges and the access to banking, understandable to all, what is actual and what is hidden, hidden to those who make decisions about the lives of poor people, without an adequate understanding in our view, about what it takes to get to the bank. And the way in which we thought it would be appropriate to show that, is from my side, three case studies.

The first in an urban area, Alexandra in Gauteng, the second in rural Eastern Cape, the third in rural KwaZulu Natal and then just to ask whether Mzansi account offered by the Post Bank and the four major banks, is it working, is this the solution. The first case study or perspectives given from people in Alexandra, historic township on the north of Johannesburg, one formal bank serves a 175 000 people, this is excluding ATM's available, but one formal bank. Not far away, within sight, Sandton, its new neighbour, has 59 banks serving 130 000 people. So Alex residents including businesses argue that they need banks to serve this large if poor population.

We believe that banks have ignored that call. Informal comments from bank executives express the apparent industry view that as Alex is only a few kilometres away, for commercial, industrial, retail and residential areas in Sandton, they can easily access the banking infrastructure there. It is just a short hop in a taxi. Alex residents say that this, in this scenario somebody has to bear the cost and it is them. Some suggest that every resident from Alex should get an extra R10,00 in cash when they draw the money in Sandton actually. Now this sounds like unusual logic but it is very real.

That would compensate them at least for the hidden bank charges they pay for transport. That is an urban example, proximity to high banking infrastructure. The situation gets horrendously worse, Chairperson, with the next two examples. Ms Caine explained that I did the research and the way I did it is, I interviewed two people I know very well over a draft questionnaire and just the dynamics of asking people this rather personal information, to an extent was embarrassing for them, difficult for me, but you would appreciate that when somebody is asked those kinds of questions, in terms of getting access, it is so much more embarrassing disclosing some of this information to people or banks they wish to open accounts with.

For the purposes of the submission this morning, Ms M lives in Bongweni, a township near Bizana, within the municipality of Mbizana in Eastern Cape. Her income is between R1 500. 00 and R3 500.00 a month. The distance she travels, the nearest bank from her home is 60km. She has accounts at three banks, she tells me, First National for 11 years, Nedbank for 7 years and the Post Bank for 6 years. In addition to that, she is also part of a stokvel, a burial society and has bought government retail bonds and hopes to buy shares in the future.

Her monthly bank charge believe it or not, is about R300,00 a month, amounting to 10% to 20% of her income. These charges were not explained to her and the ATM charges are not transparent. She does not understand what is meant by a simple thing like, DR on a mini slip, a mini statement. Debit orders are charged high fees she says, and she receives no monthly statements on savings account, has to pay R200 per statement for printing a savings account statement at the bank. That is when she gets to the bank.

To get to the bank she takes a bus and a taxi, but because it is a rural area these are Stallion trucks, not proper taxis she says, because of the bad roads. So the cost of getting to the bank is determined by the quality of the road, whether it is tarred, pot-holed, far away or decent to drive on. In total she spends a total of R30 for transport and it takes an hour and 40 minutes one-way, due to bad roads. The cost of admitting to being married in community of property is very expensive. It means that her spouse has to travel to visit the bank in case of queries. And so she says many people declare that they are married out of community of property when they open accounts, simply to avoid extra travel costs.

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The local Standard Bank, she further tells us, is an agency for the Lusikisiki branch and started a campaign to encourage people to open savings accounts. If they can have 20 000 new clients, this is what the bank told the people, then they can operate as a normal bank. She found it unacceptable of banks to encourage people in the area to open accounts in anticipation of reparations, this was in the past, to be paid by the TRC Commission. In fact, there were negotiations where account with as little as R20 at FNB and R10 at Standard Bank years ago were opened. However, by the time the reparations were deposited the bank accounts were closed, as bank charges had eroded the small deposits.

The result was the accounts had to be reopened all over again, in order to receive TRC money because the banks had not told people of the bank charges or the requirement to transact in order to keep their accounts open. The local FNB bank in Bizana is a small bank with a lot of customers, computers break down on the busiest days, transactions have to be done manually, it wastes a lot of time, especially when grants are paid out on the 20th of each month and when teachers get paid.

Furthermore when the computers break down, only deposits are accepted and no withdrawals are allowed, this means extra cost to travel to another bank.

This is similar to another case study, not listed here, of a woman I interviewed in Limpopo, who lives in Polokwane, high infrastructure in the city, but when she goes home weekends she does not go on certain days, because one bank serves up to 200 villages. The same scenario in the Vembe district. Ms M in Bizana recommends that in order to make banking accessible they must not be charged for service and transaction fees and you must be given decent interest on savings. Despite earning no more than R3 500 the bank recently offered her, without consultation, a loan of R10 000, which she refused. Again she thinks this is irresponsible and a traditional method of saving namely hiding your money in the three-legged pot like your grandparents did will again become fashionable. These were here words.

This was the input from a woman who helps many people in her work capacity, working for a struggling legal advice center in the Eastern Cape. She is informed, she is frugal, she is disciplined, she is making sacrifices for her family. And these are the struggles that this young woman is experiencing. Moving to KwaZulu Natal, Mr

N lives in Umzumbe near Hiberdene in the Ubu district municipality. He works in the Port Shepstone area, part of the Hibiscus Municipality on the South Coast of KZN. The closest bank to his home is 30 kilometres, it is a Nedbank facility in existence for 10 years. In Port Shepstone where he is involved in the cooperative the bank is less than a kilometre away so he walks there and he belongs to this Nedbank. From home he takes taxi or a bus at worst hires a private car.

Usually he pays R16 for a return taxi trip. In an emergency he would have to pay R250 to hire a private car. His income fluctuates but is usually about R3 500 a month and he pays about R150 or 4% in bank charges. I know that the international norm is about 1% to 2%. Now the question that comes to mind is, is he being punished for trying to earn extra income? Because another serious problem he has is the transactions he pays for is when the bank is open, deposits, withdrawals, transfers during the day, daily withdrawal, his average withdrawal charges are about 10 bucks, that is what he says, depending on the amount he withdraws. But the closest ATM is inside the bank building and is not available after hours.

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He is therefore forced to use another bank's ATM, incurring additional charges that are in his view unfair. So the question that comes to my mind is, is he being punished for working late, earning extra income, is his movement being limited by bank induced economic curfews? He suggest that banks should be more transparent by showing how bank charges are made up and that charges should be printed out on transaction slips. He recommends that fines, penalty charges should be much lower and fully explained when the account is opened. He wants banks to explain whether the time of the transaction in the day attracts different costs and whether transactions done inside the bank costs more.

He says all this information, explaining charges, should be explained simply and available in all local languages. In general the community members quoted above and other interviewed for this submission are not sure of the various costs per ATM transaction, why these vary, but they estimate and correctly state it is between around R3 to R7 per withdrawal. It would appear from the small sample that people earning less than R1 500 per month limit their transactions so that they pay about R20 in ATM fees. The obstacles to affordable access described here illustrate the hidden

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charges that most South Africans pay to conduct simple transactions like withdrawals.

While the charges do not appear on any bank statement, these charges, the travelling and the difficulties, they are real commissioners for the majority of South Africa. So then the question that needs to be posed is, is Mzansi then the solution? What I did was I, over a weekend, went to the websites of all the big four banks, with you, you have a table, comparing the Post Office transaction costs, Nedbank's, FNB's, Standard Bank of South Africa and ABSA. And I think it is worthwhile commenting on how difficult I found it as a researcher to get this information very quickly.

First of all I think the exemplary one, for reasons that may be apparent later, is the Post Office Bank, immediately available, simple, click of a button. Nedbank's was a bit more difficult to get, I had to do a search engine, type Mzansi, see some of the costs, but when I tried to access other information, particularly the interest on savings in rands, that earl was broken for about four of five days. I then interviewed the bank manager of the Kleinmond branch, the area in which I stay in the Western Cape and he gave me the figures. Apparently it was recently updated and some of the costs were reduced.

FNB was pretty easy, Standard Bank of South Africa was easy, ABSA, I struggled a bit and still could not find the interest on savings in rands off the website. Now why the issue about the website? You know, many families who suffered under apartheid have one or two third generation family members who finally have access to university, who finally have access to an E-mail account and perhaps do internet banking, transfer money, get information for people. So the argument that this information should not necessarily be critically accessible to the poorest of poor, could be challenged on the basis that family members, especially those at university, technikons, can make this information accessible.

I find it strange however, Chairperson, that this comparative fee is done by somebody far away, working for a small organisation, had to go to great lengths to get this table, why it was not voluntarily offered by the banks surprises me, that this table was not that easily available earlier on, from the submissions I have seen or read and followed your website. So the question then to ask is, is Mzansi working? Clearly the people

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do not even understand the most basic issues of access, how banks work, you have heard the questions that they have asked. In conclusion I would like to say that I wish, I have personally been to Portalegri at the World Social Forum in 2002 and at that conference I saw banks lobbying Brazilians and this is what they said, I got a translator to help me: "Invest with us, we give more to nutrition projects, invest with us, we have given so much more than Bank X in terms of our corporate social responsibility."

What is it going to take for the Competition Commission to enforce, investigate, change existing dynamics, particularly perhaps with regards to competition, in order that banks become more accessible to ordinary people, more transparent. This is something that we feel very passionate about. Thank you.

MR BODIBE: Thanks, Chair. My question will be directed to Mr Kolisile. Can I take you to the table where you give the ATM's distribution in the various townships. My first question is, the population figures, are the population in Mohlakeng not Randfontein, not all of Randfontein?

MR KOLISILE: Yes, not all of Randfontein, that 51 % is Mohlakeng.

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MR BODIBE: Okay. And do you have any information as to how many of these people are actual customers of each of these banks that have ATM's in Mohlakeng?

MR KOLISILE: Not now.

MR BODIBE: Okay. So basically you would not know the density of these ATM's per customers of the banks throughout the whole of Randfontein?

MR KOLISILE: Not now, but I think it is something that is possible to, like I have said, there are two ATM's there. But quite a number of the people, it is the people of Mohlakeng who have marched several times to Randfontein, complaining about these things that are happening in Mohlakeng. And the two banks, if I can tell you, that I have got ATM's there, is Standard Bank and ABSA. And the majority of people, I think, is in those banks, from Mohlakeng.

MR BODIBE: Yes, it will be helpful to get information as to between Randfontein and Mohlakeng, what is the distribution of these bank customers. Thanks.

MR PETERSEN: Mr Kolisile, everything that you said was very clear to me, so I do not have any questions of clarification to ask you. I just have one question to see

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whether you can provide us with some further information. How widespread is the requirement by employers that the worker must have a bank account in order to receive the wage? If you do not have that information readily available, if you would be able perhaps to assist us in finding out, that would be very helpful.

MR KOLISILE: Then let me say this, it may not be in terms of numbers or percentages, but it is very widespread. In fact, it is almost a requirement by each and every modern employer to require each and every employee to have a bank account. I know before, I do not know if it still happens, some employers used to even facilitate that process for their employees to have bank accounts. And if an employee does not have, because there are still some employees, I mean employers, who do not put that as a requirement, but very few, I must say, that I know of. Life becomes unbearable to the employee, in that such an employee will be unable to access credit, if that employee is paid maybe by cheque in hand, cash in an envelope and all those things. Such an employee would hardly have an access to credit, such as maybe he want to take furniture and all those things.

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I have heard that experience, many people saying, we need this, we need this, but by enlarge employers require their employees to have bank accounts.

MR PETERSEN: Thank you. And is it very widespread that the employer specifies what bank must be used?

MR KOLISILE: No, not as far as I know. Well, employers might be using a certain bank, that they bank with a particular bank, but under... well, it might be, it might happen, because employers sometimes do take chances, particularly the workers who are not unionised and all that, that they dictate to you that you use that bank and not that one. But according to my knowledge, that the employers may not decide which bank you need to use. If the requirement is that you have a bank, you need to have a bank so that by that date we process your salary through that bank account, I think that is the requirement, not to an extend that they even tell you this bank.

MR PETERSEN: Thank you very much. Mr Paulus, again thank you, I though what you covered was very clear. But I would like to ask you what your response is to this. Competition relies on the market mechanism, you have addressed very helpfully the problems of access by poorer people, to a service that is provided in the

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market place. To what extend do you think that competition as a market mechanism can alleviate the access problem?

MR PAULUS: I thought about this at length and I understand that the competition is just the Competition Commission and it would be naïve and wrong of me to assume that tarring roads and making access easier is within your powers to change. But I will try and answer it this way: Sir, I live in Kleinmond, near Hermanus, tourist mecca. In terms of the Gross Geographic Product, GGP per capita, of the 284 municipalities in the country it is the richest. The organisation I live and work at works in the townships of Proteadorp and Overhills. There are four banks and the Post Bank present in this town, because of the nature of who lives there. They do not understand the differences in Mzansi account, the benefits of belonging to this bank or the other.

ABSA has the largest footprint and I think that is a national phenomenon. There is a Nedbank but it is a business center, so it is exclusive customers. The Post Bank is very accessible, central in the town, but people have to walk very far. FNB open I think until 12:00 and Standard, who I originally banked with is the worst, because they just have an ATM and sometimes they run out of envelopes. I occasionally go to Hermanus, get a stack and put it in there. So with regards to specifically to the extent to which competition can alleviate these distortions, these difficulties of poor people, I think one of the fundamental things is a deeper, more committed, more widely initiative, at the cost largely of the banks on consumer education, longer times to explain people, answering the very questions that have been listed in the case studies.

I also think that once people understand those issues, just to take you to this table, which I just alluded to, people will then understand why for example there is, with regards to Mzansi account, there is common patterns and different patterns within the four major banks. Post Office Bank clearly, in my view, if I was in that income category, is the easiest. But the minute it needs to be on the access to the formal banking structure there is high fees involved. FNB, if I could refer you to your sheet, like the other banks, is a maximum balance of R15 000 some variation on the minimum deposit required, I think the minimum varies slightly too, but it is either R20 or no minimum balance. No minimum balance in the Post Office Bank, Nedbank is R20, FNB shifted from R20 to no minimum, Standard Bank of South Africa R20, ABSA no minimum, from their websites.

Being inside a branch, now it becomes interesting, in Nedbank, to draw inside a branch is R10, R4 in the ATM. Now with Capitec, I was looking at their website, it is the other way around, it is more expensive to draw at an ATM and cheaper to draw at the branch. Why? Because they are in the credit market and from my perspective they want to give somebody a loan, come inside, friendly face, credit. So there are unique patterns from these numbers, a cursory look at it will show. FNB for example, it is cheaper to draw from a mini ATM than a formal ATM, because that was driven by FNB, apparently, to increase market access where there is existing infrastructure in retail stores.

But I just need to say, you cannot compare apples with apples here. This is what is presented to the demand side. From the supply side to measure the real cost, there are other factors like the cross-subsidisation on various transaction products, banking density, what percentage of the market has been accessed, to what extend is it just pure profitability or are they positioning themselves for anticipated future profit by offering a certain product. I am thinking off the top of my head, but I think we would have a more coherent cogent answer, if the inquiry, with your assistance, it could be ensured that banks provide this information. The question about banking density, I am sure the banks know that information.

We would that and compare it to the reality and the perception, certainly, we would like to work with you on it. But after we have considered further information, that emanates from these banking inquiry hearings, we would appreciate the opportunity to engage further with the panel on our view that Mzansi charges, while in most instances a lower than charges for similar services remains unaffordable, for a range of factors, far more complicated than just the price. I do not know if that answered your question, Mr Petersen.

MR PETERSEN: Thank you very much.

MS NYASULU: I am not sure if my question should be, in fact it relates to both the presentation by Mr Kolisile and by Mr Paulus, but I am just trying to get to the nab of all the essence of what the issue is, particularly around the hidden charges, as they relate to travel. And it seems to me that live for anyone living in a township is complicated, anywhere, by the fact that they have to travel everywhere to do everything. And so they have to travel into town to do groceries and I happened to have grown up on a mining village in Randfontein, so it is an example that I know extremely well. They have to travel to get into a Truworths, they have to travel into town to do everything. Is there an aggregation of the costs of travel across all the activities?

And if not, why do you think in your view that the whole question of the hidden cost of travel is brought into such sharp focus, when it pertains to access to banks? That is a first question. Second question is specifically for Mr Paulus and it has to do with something that we hear very often and we have heard on most of the presentations, what seems to be the opposite of the view that the lady from Pomgweni in Bizana is raising. In other words, we are hearing people saying we have no access to the various products that the bank would have access to, like loans, mortgages, all of those things. Whereas what I am reading from your presentation is that the lady actually saw it as a problem.

So if you could just comment, I might be reading wrongly or inferring the wrong conclusion from the statement you made around the lady from Bizana.

MR PAULUS: Sorry Madam, I did not understand the question completely, could you perhaps rephrase?

MS NYASULU: The second one or the first one?

MR PAULUS: The second one.

MS NYASULU: Okay. The second one and I do not understand it completely myself, so I am fumbling through it. But what I am trying to say is, rather differently to the way that your lady and Mpongweni saw the approach about the different products and I am referring to where you talk about the fact that she was offered a loan of R10 000, she was offered a credit card and a cheque account. I am saying we hear most people saying, because we are poor we have no access to some of these products and I am trying to understand why in this case she saw it as a problem or a disadvantage.

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MR PAULUS: Let me try and answer the question again, to refer you to the area I stay in, Riches municipality. Poor people in Kleinmond, if they want to resolve a bank or when guests from Zimbabwe stay at the place that I live and work at, wants to convert US Dollars to rands or when poor people have a query that the local branch is either closed, they have to travel 46 kilometres to Hermanus, on a road that has one blue flag status, part of the tourism, blue flag status in the world. There is very limited taxis, it is very expensive, right past, even people who work on Arabela, you know the golf estate, the fancy one, they have to hike home, I give those people lifts home.

So the issue of travel and access is something we have inherited from apartheid. You fly over any part of the towns, there has been some progress, but the townships in formal settlements are far away from CBD and hence the banking services that most people require or they know they will be served at and it will not be too crowded is in the city. So that is a very serious problem. And I do not know what the answer to it is, but perhaps some of the ideas, given the fact that the work that I do is in local governance and economic literacy is, perhaps when tenders go out by municipalities for some service, particularly in the financial sector, that the Commission could propose regulations by which banks' accessibilities to poor people become a factor.

I do not know, it is something that needs to be seen in an integrated manner, in my view, from various government departments and public entities. And there is a law for that, it is called Intergovernmental Relations Act, which was passed last year. The question I now understand and I think Ms Caine wants to add also to the Mpongweni person, when I phoned around I found the Black Sash and they were explaining to me that, and this is also on the websites of banks, the All-pays, the Cash Master for social grant beneficiaries for very poor people. It seems as if All-pays is in the western part of the Eastern Cape and Cash Master is more of KZN, eastern part of the Eastern Cape.

And there is Capitec there, so in order to improve market access, institutions that historically offered credit products but now have become banks or providing financial services over and above loans to people, are now hounding poor people, I think illegally, offering these things before the legislation prevents them from doing that.

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So the drive is not from the formal big banks but from, I would consider and call them opportunistic without understanding the perpetuation of debt and high interest, that people like this woman if she was not frudal enough, would inherit and probably her children and the family would too.

MS CAINE: May I just add to that? This is an opportunism that has really arisen in the last six months, I would say, since the passing of the National Credit Act. And in the window period, between the passing of the Act and the coming into affect of all the regulations in terms of that National Credit Act, as the National Credit Regulator, Mr Davel, mentioned this morning, those will only be fully in place by the middle of next year. In terms of which lending to people like the lady from Mpongweni will be regarded as reckless. She did not initiate that request for credit, she does not need it, she does not want it, but the banks, all three, in her case, want to have her as a customer, so that they can get in under the wire between now and when it will become reckless to lend in such a manner.

And I think probably a year or so ago she would never have been offered such credit. Now my colleague, Nkosiphendule, will tell you that he was offered credit, out of the

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blue and phoned me and said, why are they offering me credit. It is completely new to people who would not have even been considered for credit until quite recently and we do in fact see that it is all for big banks who are doing this. There has been quite a lot of media coverage around it, because there have been a lot of consumer complaints. All of a sudden people get credit cards in the post, people who a month before that were blacklisted.

So we have had queries to the FFCC, asking how the banks get their details. We have had queries from people who until very recently have been blacklisted, could not access credit, whether it was for a home loan or anything else and all of a sudden are being approached out of the blue by the four big banks with offers of credit or simply receiving credit cards in the post.

All of that will not be possible in future. I know it is not the subject of your inquiry, we just added it in, because I think it is important in terms of understanding how the banks approach this access market. Thanks.

<u>MR KOLISILE</u>: I think if I may add there is also this example, it may not also be the subject of this inquiry. I have got a relative who was approached by the insurance

company, AIG, over the phone, that she takes the insurance with them and she refused. And they said there is a competition and there is a guaranteed R5 that you would win, give us your account, what is your account, so that at the end of this competition, but whether you win that other big amount or not, but there is a guaranteed R5. And indeed, there was a deposit of a R5 into her account, but what is happening now, R22.50 is being deducted every month from her account. So those are some of the things that Collette is saying that when do these people access this information, why do they call you, offer you, is that not reckless?

I believe that is reckless, because the person has not even consented to this. But going back to that first question, I agree with you, Madam, that for an example when, and most of the times when we want to get money, maybe a big money, you would want to buy groceries, clothings to your Woolworths and all that, but that is not always the case. You would also need for an example, there is a relative who is going to Burgersdal, not to Randfontein to buy from Woolworths or from Shoprite, but who is going to Burgersdal, who need a R20 taxi fare. Now because you do not have, right in your purse, you have to get a taxi of R5, with R5, R10 return to

Randfontein, to get this R20 that you want to give to your relative, who is not going this other side, who goes that side.

So the question of the integrated kind of approach, I would agree obviously that people would want to have those Woolworths, those other things, but we are not talking about them here. But these services, the bank services must be accessible to the people. And the question of the course, taxi fares and all that, are such a serious issue. Thanks.

MS CAINE: Sir, I do not know if it is allowed, but may I ask a question from this side to the panel or not?

MR JALI: You want to ask us a question? Well, there is transparency.

MS CAINE: I do not want you to talk about bank charges or, but I do want to make a request, if that would be possible.

MR JALI: Yes.

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MS CAINE: Elroy has mentioned that we would really appreciate the kind of information that can only really come out of an inquiry like this one. Information that is not readily available in the public domain and that banks quite frankly do not give us in a way that we can easily analyse. A lot of the information that you see here has come through various interactions we have had with the banks. But even when they give us information and sometimes it is quite a sizable amount of information, it makes it very difficult for us to analyse in a way that we can compare apples and apples. If we just look at these tables that we have prepared for you on Mzansi, you can see that an analysis would benefit from a lot of more information and that comparison across the big four banks and the Post Bank.

We would like to request that the inquiry requires the institutions to provide you with that comparative analysis, so that we can then ascertain whether that compares with the information that we get from our structures on the ground. When we come to the public hearings in Durban for example, we want to bring people there who will engage with the panel on the situation of social ground recipients, whether it is state old age pensioners or child grant recipients, in relation to banking, access to banking

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and bank charges in particular. We would like to be able to really get into the details of how the banks arrive at these Mzansi charges, in order to be able to expand on the information we want to give the panel, which basically will say that the vast majority of state ... do not want their pensions through bank accounts, for the reason that bank charges are unaffordable.

And we are saying, if Mzansi is unaffordable in our view, with the information that we have available here, we would like to really interrogate that a lot more and ask your assistance in ensuring that the banks provide you information on Mzansi along with hopefully all of the other pricing information. I did not see much of that yesterday in the presentation. I have only seen Nedbank's one, we did not get much information that would help us there. It might be useful if they were prompted to give us that relevant information. Thank you.

MR JALI: Thank you. Can I just briefly respond? The entire exercise by the Competition Commission is about transparency and also the issues you are raising are issues with which you are also grappling, to try and get to understand how cost structure works, how they arrive at certain figures. So that is part of the entire exercise. So these are issue we will be getting to. Currently the banks have given us a number of submissions or most of the banks have given some submission, which we will be going through, as we have said. The closing date for those submissions was last week. This information might be dealt with there and the submissions will be put up on our website. So you might gain access to that information if it is dealt with there.

However, if it is not dealt with I have got no doubt in my mind, the members of the technical team who are sitting here will pursue the issue with the banks. And also I know a number of representatives of the banks are here, they have had the concern, I will also prompt them to just prevail upon them to assist in that regard. Because the part of this entire exercise is about trying to get some transparency and get into those issues. But if you are not getting any joy, we will see how we can assist. Okay. Does this bring us to the end of the enquiry for the day?

MR WEEKS: Yes Sir, we are, the hearings will proceed on Thursday 9th November at 09:00.

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MR JALI: 9 November, 09:00? Thank you very much to everybody who attended and in particular thank you to the members of the FCC for coming and giving us your presentation. We hope we will be able to assist and you also will be able to assist us. Thank you, have a good weekend.

(END OF PROCEEDINGS)

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