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## Treasury backs law for equity targets

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Picture: ISTOCK

Tougher implementation of transformation in the financial-services sector is on the cards if the recommendations of a draft report by Parliament's finance and trade and industry committees are adopted.

The draft report emerged from public hearings during which a lot of anger and frustration was expressed about the slow pace of transformation in the sector.

It proposes that the targets in the Financial Sector Charter be made compulsory and possibly incorporated into regulations.

The final conclusions will feed into the financial sector summit planned by the [National Economic Development and Labour Council](#) for 2018.

Treasury deputy director-general Ismail Momoniat said at a joint meeting of the committees on Wednesday that the Treasury supported the recommendation for targets to be raised and be made compulsory through financial-sector law.

The Treasury also agreed that sanctions should be applied for noncompliance in reporting and meeting targets. Steps should also be taken to reduce concentration in the sector and ensure greater black ownership.

Momoniat urged that black economic empowerment codes should recognise indirect black ownership and ensure that future deals did not transfer shares from indirect black owners to direct black owners.

He emphasised that there was a renewed focus on transformation, which was no longer being left to junior managers to deal with.

The CEOs of main subsectors of the financial services industry such as banking, life assurance, asset management and short-term insurance were engaging with the Treasury and regulators on how to bring about transformation, he said.

Banking Association SA MD Cas Coovadia said in an address to the Cape Town Press Club that the banking industry had decided to take a far more "robust" approach. Banks would be proactively seeking to achieve equity representation in senior and executive management as well as to ensure that they procured from small-and medium-owned enterprises.

“Corporates must achieve the targets in the financial sector charter and must be penalised if they fail to do so. Achieving the targets could be made a condition for the licensing of financial institutions,” the draft report says.

The high levels of monopoly in the banking sector needed to be addressed and ways found to increase the level of direct black ownership of major banks.

Consideration should also be given to less stringent requirements for the licensing of certain categories of new entrants into the sector.