

FSCA COMMUNICATION 18 OF 2021 (BANKS) – CONDUCT OF BUSINESS SUPERVISION

The FSCA's expectations regarding bank branch closures and Automated Teller Machine (ATM) removals

This Communication is applicable to all banks as defined in the Banks Act, all mutual banks as defined in the Mutual Banks Act, 1993 (Act No. 124 of 1993) and Branches of Foreign Banks.

It applies where a bank takes a decision to close physical points of presence, permanently or temporarily for refurbishment or conversion to self-service branches.

A branch is the physical point of presence that a bank uses to distribute their products and services to customers - face to face. This includes a bank and mobile branches.

1. PURPOSE

The purpose of this communication is to outline the FSCA's expectations regarding Bank branch closures and the removal of Automated Teller Machines (ATMs) and to request banks to notify the FSCA of their intention to close a branch, permanently or temporarily (longer than 30 days) including transforming the branch to a self-servicing branch. The notification to the FSCA extends and includes the permanent removal of ATMs. The FSCA would like to ensure that the bank has conducted the necessary assessments prior to the closure or transformation that considers fair outcomes for customers.

2. BACKGROUND

- 2.1. Most South African financial customers utilise cash from ATMs and bank branches, including those who are in vulnerable circumstances.
- 2.2. While the financial sector is making progress to transition the South African community to a cashless society, a large proportion of customers still believe in using cash, with a greater need to access physical branches for their basic banking services.
- 2.3. For various reasons, banks are closing their branches and removing ATMs. The FSCA has noted that when formulating their strategies and making progress in digitisation, a popular cost cutting initiative by banks is cutting down on physical brick and mortar structures. The FSCA has further noted on numerous occasions that banks continue to close branches and remove ATMs without considering fair outcomes for customers.

3. FSCA EXPECTATIONS

- 3.1. A bank should carefully consider the impact of the closure of a branch or removal of an ATM has on customers. The needs of the financial customers should always be at the center of the decision-making process.
- 3.2. Banks are requested to inform the FSCA of their plans for the permanent and temporary closure, including the transitioning to self-service channels of branches and ATMs, to enable the FSCA to assess whether financial customers are being treated fairly. Engagement with the FSCA should be done prior to a bank making the final decision and continuing with the closure process.
- 3.3. Prior to the closure of the branch, a bank is required to conduct a robust needs analysis of the financial customers that use that branch or ATM and consider the impact of the proposed closure on these customers.

- 3.4. The FSCA requires a bank to submit a clear summary of the outcome of the analysis conducted under 3.3. If the FSCA is not satisfied with the outcome of the analysis, the bank could be requested to conduct further analysis. The said analysis and notification to the FSCA should be submitted no less than six (6) months prior to the planned closure.
- 3.5. The FSCA requires a bank to communicate existing alternative channels to access services or proposed alternatives that will be made available. Alternatives should consider the distance, customer effort and accessibility as required by section 2(5)(c) of the Conduct Standard for Banks (No. 3 of 2020) - *“Financial customers are given clear information and are kept appropriately informed before, during and after the time of entering into a contract in respect of a financial product or financial service offered or provided by a bank.”*
- 3.6. Communication to financial customers should be in writing and also published on all distribution channels including digital platforms, as preferred by the impacted customers.
- 3.7. This communication is to ensure that financial customers are given ample time to make informed decisions. The FSCA requires a bank to keep their analysis of financial customer impact and potential alternatives under review during the period between announcing and implementing the closures and keep the FSCA informed of any changes to the actual proposal as was submitted.

4. CONCLUSION

- 4.1. Banks should submit their proposal to the FSCA Supervision team for consideration to Nosipho.Mathabela@fsca.co.za



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