

# Discovery gets bank licence

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Discovery Bank has become the second new bank to obtain a licence from SA's banking regulators as the market is opened to new competitors for the first time in almost two decades.



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The award of a banking licence to Discovery, announced on Monday, comes after TymeDigital gained its licence at the end of September. Postbank is still waiting for its licence, which requires some legislative and technical shareholding issues to be resolved.

Discovery's licence is subject to conditions that relate mainly to Competition Commission approval for the migration to the new bank of its Discovery card joint venture, which is 25%-owned by First National Bank and runs off the FNB platform.

"We are looking forward to extending the Discovery business model and philosophy through Discovery Bank to South African consumers from 2018," said the company's CE, Adrian Gore.

Though Discovery has yet to detail what its bank will do and whom it will target, analysts expect it will be card-driven and largely online. It is expected to take advantage of Discovery's large Vitality programme customer base and to focus mainly

on higher-income earners.

By contrast, TymeDigital, which is 90%-owned by the Commonwealth Bank of Australia and 10% by Patrice Motsepe's African Rainbow Capital, plans to focus on the middle and emerging middle market and on small and medium enterprises, while Postbank will target lower-income earners, many of whom are unbanked.

TymeDigital spokeswoman Thoraya Pandy said on Monday the bank had to meet conditions on its core banking and general ledger systems, and test into the payment system, so that it could be given the green light to launch in 2018. It planned to start with a pilot in November.

Postbank CEO Mark Barnes said the issues that had to be resolved for its licence were the structure of the controlling company and alignment of the South African Postbank Ltd Act with the Companies Act. However, the 142-year-old Postbank was "a highly profitable little bank", with close to R3bn of excess capital.

It has 5.7-million customer accounts and R5bn of deposits and will expand into lending once it has a licence. Barnes emphasised that the bank did not need a licence to pay social grants as it had offered to do.

Discovery has said it will invest R2.1bn in its new venture, which has a staff of 350 and is headed by former Nedbank and South African Revenue Service executive Barry Hore.

Investec Asset Management analyst Chris Steward said Discovery was trying to gain a bigger share of the financial services spend of its client base. Like Discovery Insure and Discovery Invest, the bank would provide a product offering that would have some effect on the group's results over time.

*Source: Business Day*

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