Amendment No. 2 to the Administration Agreement between the Government of Switzerland, represented by the State Secretariat for Economic Affairs and the International Bank for Reconstruction and Development and the International Development Association regarding the South Africa Financial Sector Development and Reform Program Multi-Donor Trust Fund (TF072243)

1. Reference is made to the Administration Agreement between the Government of Switzerland, represented by the State Secretariat for Economic Affairs (the “Donor”) and the International Bank for Reconstruction and Development and the International Development Association (collectively, the “Bank”) regarding the South Africa Financial Sector Development and Reform Program Multi-Donor Trust Fund (TF072243) (the “Trust Fund”) effective as of July 22, 2014, as amended (the “Administration Agreement”).

2. The Parties agree to amend the Administration Agreement as follows:

(1) Paragraph 2 of Annex 1 to the Administration Agreement shall be deleted and replaced with the following:

"2. The Program will have five pillars that focus on: (a) financial sector regulation, integrity and stability; (b) financial inclusion; (c) transforming the market structure and financial sector; (d) safeguarding the financial system and consumers; and (e) increasing financial for the real economy.

The activities supported by the Trust Fund are as follows:

(a) Financial Sector Regulation, Integrity and Stability

(i) Component 1: Strengthening crisis management resolution
Provide advice on strengthening the financial institutions resolution regime and crisis management system that is in line with the Financial Stability Board’s (FSB) key attributes, enabling the authorities to respond effectively in times of crises, as well as sound deposit insurance system in line with the International Association of Deposit Insurers (IADI) guidelines, contributing to financial stability and protecting depositors.

(ii) Component II: Strengthening market conduct regulation and supervision
Provide advice on strengthening market conduct regulation and supervision, contributing to a stable and sound financial sector that protects consumer rights.

(iii) Component III: Strengthening the development regulation of capital markets
Advise South Africa on strengthening the regulatory and oversight capacity for capital markets development, including brokerage firm regulation, contributing to a stable capital market and a stronger enabling environment, as well as new instruments developed for infrastructure finance supporting the development of the financial system."
(iv) Component IV: Reviewing the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regulatory framework
Provide analytical and advisory services to South Africa to strengthen AML/CFT framework that gives due consideration to financial inclusion aspects, supporting a sound financial sector.

(b) Financial Inclusion

(i) Component I: Innovating retail payment instruments and delivery channels leveraged to deepen financial inclusion
Provide analytical and advisory services to South Africa to strengthen the legal, regulatory, and policy framework for enabling the development of innovative retail payment instruments and payment infrastructures, resulting in increased usage of accounts and electronic payments to facilitate a deepening of financial inclusion.

(ii) Component II: Small and medium enterprise finance
Advise South Africa on improving access to credit for Small and Medium Enterprises (SMEs), therewith contributing to SME development and growth, and strengthening the legal framework for movable asset lending through advice on the establishment of an online centralized movable asset registry.

(iii) Component III: Debt rehabilitation and insolvency provisions for individuals
Provide analytical and advisory services to support the improvement of the legal and institutional framework for debt rehabilitation and personal insolvency, effectively responding to the challenge of over-indebtedness.

(c) Transforming the Market Structure of the Financial Sector

(i) Component I – Increasing financial sector diversification
Provide advice on the improvement of the financial sector market structure, thereby contributing towards the diversification of the sector and improved financial inclusion through technical assistance for development of a tiered licensing framework and improved functioning of Cooperative Banks Development Agency.

(ii) Component II – Expanding access through financial inclusion
Provide advice to the Government in its efforts to expand access through financial inclusion via technical assistance for promotion of financial inclusion through enhanced National Payment System.
(d) Safeguarding the financial system and consumers

(i) Component I – Safeguarding the financial system
Provide support to the Government in its efforts to strengthen the crisis preparedness and resolution framework through implementation support including establishment of Deposit Insurance Scheme, thereby contributing towards safeguarding of the financial system.

(ii) Component II – Improving consumer protection and market conduct
Provide advice to the Government in its efforts to improve consumer protection and market conduct thereby contributing towards the safeguarding of the financial system in the country through technical assistance to Financial Sector Conduct Authority to support transition to market conduct authority, including strengthening market conduct regulation and supervision.

(e) Increasing finance for the real economy

(i) Component I – Increasing SME financial services
Provide advice to the Government in its efforts to enhance the effectiveness of Development Financial Institutions and improve access to financial services for SMEs.

(f) Trust Fund Management and Mid-Term Review
Carrying out trust fund management, technical oversight and monitoring and a mid-term review.”

(2) Paragraph 6.1 of Annex 2 shall be deleted and replaced with the following:

“6.1 It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by November 30, 2023 (the “End Disbursement Date”). The Bank shall only disburse funds deposited in the Trust Fund for the purposes of this Administration Agreement (other than returns to Donors) after such date to the extent such date is changed in accordance with amendments made to the Administration Agreements of all the Donors. Following the End Disbursement Date, the Bank shall return any remaining balance of the Trust Fund to each Donor in the Holding Currency in the manner specified in its respective Administration Agreement on a pro rata basis with regard to the total funds deposited in the Trust Fund by such Donor relative to the total funds deposited in the Trust Fund by all Donors, all calculated as Holding Currency amounts.”

3. All other terms of the Administration Agreement shall remain the same.
4. Each of the Parties represents, by confirming its agreement below, that it is authorized to enter into this Amendment and act in accordance with these terms and conditions. The Parties are requested to sign and date this Amendment, and upon possession by the Bank of this fully signed Amendment, this Amendment shall become effective as of the date of the last signature.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT]
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: ________________ Date: 6. 9. 2018
Paul Noumba Um
Country Director, South Africa

GOVERNMENT OF SWITZERLAND, REPRESENTED BY THE STATE SECRETARIAT FOR ECONOMIC AFFAIRS

By: ________________ Date: 31. 8. 2018
Ivo Germann
Head of Operations, Economic Cooperation and Development