



South African Reserve Bank

**A welcome address and opening remarks by Francois Groepe,  
Deputy Governor of the South African Reserve Bank,  
at the Innovation and Cybersecurity Conference**

**Sandton Convention Centre, Johannesburg  
28 August 2018**

Good morning, Governor, fellow Deputy Governors, fellow regulators (in particular our colleagues from National Treasury, the Financial Sector Conduct Authority and the Financial Intelligence Centre), our colleagues from numerous neighbouring central banks, distinguished guests, ladies and gentlemen.

The South African Reserve Bank (SARB) is pleased to welcome so many of you who have decided to join us at this conference. We appreciate the great interest in this event, both from domestic and from international stakeholders. We remain fully committed to engaging and cooperating with all our stakeholders on crucial policy matters and the changes in our shared landscape.

We hope that the next three days will offer great insights and will spark beneficial conversations on the themes and topics of this conference.

## **Introduction**

We are undoubtedly facing an epoch of unrivalled change that is far more exponential than the Cambrian Explosion that Andrei Kirilenko will make reference to in his presentation later today. This era offers many opportunities, and government agencies in collaboration with business and the wider society can play a critical role in leveraging these opportunities to the benefit of all humankind. In this regard, Frans van Houten is quoted as having said: “Government should seek more strategic approaches to develop dynamic, resilient infrastructure. Business must be more creative in offering financing solutions as partners with government, and people must support sustainable innovation as a public policy priority.”

Conferences such as these are part of a collaborative effort in our mission to deepen our insights into and understanding of innovation and cybersecurity. We hope that you too will benefit from these proceedings and will emerge from this conference with an expanded knowledge on these critical issues that we will be covering over the next three days.

The genesis of this conference dates back to 2016 when the SARB organised and hosted its first Cybersecurity Conference. That conference underlined the importance of cybersecurity and cyber-resilience. In 2017, the SARB hosted the first Payments Innovation Conference in collaboration with domestic and international payments stakeholders. This Payments Innovation Conference sought to develop more profound insights into the innovations emerging in the payments ecosystem, while facilitating a better understanding of the role of innovation and regulatory frameworks in the payments industry.

However, we cannot engage in conversations about the remarkable amount of innovation taking place in the financial services industry without addressing the cyber-threats that we also face. It was therefore prudent for the SARB to, this time, merge the two conferences into one.

This Innovation and Cybersecurity Conference will focus on the following five themes:

- Emerging innovations
- Leveraging new technologies
- Innovation and the regulator – challenges and opportunities
- Cybersecurity trends
- The South African journey – getting to harmonisation and action

I will now make some brief introductory remarks before handing over to the Governor of the SARB, Mr Lesetja Kganyago, to deliver the opening address on 'Disruptive innovation and cybersecurity: the South African Reserve Bank's perspective and response'.

## Innovation

It is becoming evident that the ever-accelerating pace of emerging technological innovation, notwithstanding all its advantages, is disruptive to the financial services being offered by financial institutions, and it also poses some challenges for regulators. Innovation introduces new players to the financial services industry and enables incumbent industry participants to expand the scope of their financial offerings. Innovation generally leads to the expansion of markets and greater efficiencies, and could potentially result in lower costs for the end user of financial products and/or services. Regulators taking positions to enable innovation and competition stand to benefit, among others, consumers.

In PricewaterhouseCoopers' (PwC) 21st Chief Executive Officer (CEO) Survey<sup>1</sup>, both cyber-threats and the speed of technological change make it into the top six anxieties that keep CEOs awake at night. Through this Innovation and Cybersecurity Conference, we will, for example, explore, in a round table discussion with industry leaders moderated by Governor Kganyago, 'how exponential technology will drive change in the current financial sector landscape'. This topic is particularly relevant because exponential technology has the ability to threaten the survival of firms that are highly successful today, even if they spend large amounts on innovation initiatives. It was Steve Jobs who said: "Innovation has nothing to do with how many R&D dollars you have. When Apple came up with the Mac, IBM was spending at least 100 times more on R&D. It is not about money. It's about the people you have, how you're led, and how much you get it!"

Financial institutions must keep pace with what is happening in the technological sphere if they are to remain relevant and are to survive. Environmental forces such as innovation invariably create both threats and opportunities for all the role players, no less so than in the financial industry. There is an adage that says: "Adapt quickly to change or perish seamlessly without change in the 21st century."

---

<sup>1</sup> See PwC's 21st CEO Survey, *The anxious optimist in the corner office*, available at <https://www.pwc.com/gx/en/ceo-survey/2018/pwc-ceo-survey-report-2018.pdf>.

## **Cybersecurity**

As financial institutions and infrastructure service providers evolve to keep up with the pace of technological change such as application programming interfaces, distributed ledger technologies, artificial intelligence and cloud-computing, just to mention a few, sophisticated cybercriminals continue to target banking and payment systems, with the potential to disrupt their operations and potentially cause harm to the broader financial system and even the entire economy. But it is not only technological progress and innovation that increase cyber-risk; cyber-threats may also undermine innovation. It was James Comey, the former FBI<sup>2</sup> Director, who said: “The diverse threats we face are increasingly cyber-based. Much of America’s most sensitive data is stored on computers. We are losing data, money, and ideas through cyber-intrusions. This threatens innovation.”

It is thus essential that these kinds of risks are well understood and that all financial institutions and market infrastructures are secured against cyberattacks. The financial services industry should strive to have cybersecurity practices in place that are agile and responsive to emerging cyberspace activities and developments.

Through this Innovation and Cybersecurity Conference, we will learn more about the emerging types of cyber-threats and cyberattacks facing the financial ecosystem. We will discuss the risk management practices, controls and defence mechanisms that the financial sector should adopt to deal with these cyber-threats and cyberattacks.

This conference is also a platform to collaborate on cyber-resilience through national and industry-specific cyber-response structures in the interest of financial stability and financial security in South Africa.

## **Closure**

Allow me to extend a special word of thanks to speakers and panellists, both local and those from abroad, who have agreed to participate in this conference and to share their insights and experience with us.

---

<sup>2</sup> Federal Bureau of Investigation (United States)

I hope that the focus of the next three days will be on coordinating efforts, establishing response structures, and creating regulatory certainty in this disruptive environment where innovation and cybersecurity converge.

Thank you.