Career Ready Academy

TEXTBOOK

Retail Deposits

Final Module for COB 5

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Ordering information

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INTRODUCTION

An FSP must ensure that it, its key individuals and representatives are proficient in respect of, understand, and have completed adequate and appropriate class of business training and product specific training relevant to, the particular financial products in respect of which they render financial services or manages or oversees the rendering of financial services.

Class of business training, where appropriate must include training on the following:

The range of financial products within the class of business.

The general characteristics, terms and features of financial products in the class of business and any specialist characteristics, terms and features in respect of financial products in the class of business.

The typical fee structures, charges and other costs associated with products in the class of business.

General risk associated with investing, purchasing or transacting in the products in the class of business.

Investment and risk principles, options and strategies in respect of products in the class of business.

The appropriateness of different products or product features in the class of business for different types of clients or group of clients.

The typical role players or market participants in respect of products in the class of business, including their legal structure.

The impact of applicable legislation, including taxation laws, on product in the class of business.

The impact of applicable economic and environmental factors on the products in the class of business and the performance of those products including:

- The economic and business environment and cycles.
- Inflation.
- Government monetary and fiscal policy.
- Interest rates and exchange rates.

Any inter-relationship within and between particular classes of business.

Industry standards and codes of conduct relevant to class of business

This module is the final module in order to be certified for COB Class 5: Short-term and long-term deposits.

To be certified, complete all of the required modules:

- COB General Module: All Classes of Business
- COB Intermediate Module: Class 5 & 6
- COB Final Module: Class 5

Topic 1 Pricing Options and Fees Related to Short-Term and Long-Term Deposits

LEARNING OUTCOMES

After studying the topic, the learner should be able to-

- Outline the factors to be considered in the determine the price of bank account transactions.
- Explain how pricing is influence by market segment.
- Understand the different pricing options.
- Understand the different types of fees and charges.

1.1 INTRODUCTION

When a client enters into an agreement with a deposit taking institution, the client must be informed of what charges and fees will be levied on the various transactions that are usually performed on that account.

There are also additional fees that could be levied on the account depending on the type of product and transactions chosen.

The subsection below will consider the generic pricing structure of retail banks, but pricing arrangement differ from deposit taking institution to deposit taking institution, with some new entry banks offering no fee accounts.

1.2 FACTORS CONSIDERED TO DETERMINE THE PRICE

Retail banks use a form of value-based pricing, which means that the price of the product or service is based on the value it creates for the client. In other words, the higher the value (demand) for the product, the higher the price of the product. Retail banks take a number of factors into account when working out the price of the product – the value only forms part of the costing structure. The other factors that are considered are as follows:

- ☐ Client behaviour
- ☐ Convenience
- ☐ Client needs - what products are clients using currently
- ☐ The economic climate
- ☐ Regulatory framework
- ☐ Market research - especially regarding how much people are prepared to pay for a particular product
- ☐ Competitor pricing

There is a trend in South Africa that when banking product prices increase, they tend to increase across banks and vice versa. Banks tend to review and increase their fee structure annually. The new fees usually become effective at the beginning of the new month after the fee increases have been announced.

Products and services have to be appropriately priced to attract clients. An organisation such as a bank can position itself for a specific target market if they price their products and services appropriately.

1.3 PRICING AND MARKET SEGMENTS

The market segments are ascertained through research and the transactional behaviour pattern of various income groups are studied in order to be able to capture the correct target audience. This is done by providing them with products and services that match their specific needs at a price that the target market would deem appropriate.

Pricing is used either to attract a specific market segment or to encourage the use of a specific product. On the other hand, pricing can also be used to discourage a market segment or product use. For example, if a retail bank decides to focus on a specific target market such as a high-income niche group to gain market share in this segment, the range and price will be geared to matching the needs of this specific group. However, the bank runs the risk of losing market share if they do not have appropriately-priced products for other segments such as the mass market.

When a bank wants to discourage the use of a specific product, the price of this product could also be increased, for example, banks would prefer to minimise the number of clients that perform over-the-counter transactions, in order to be able to focus banking on a service-orientated business, opposed to a purely transactional-based operation.

1.4 PRICING OPTIONS

Banks offer various pricing options, depending on the type of account and the type of transactions concluded on the account. The following pricing options are considered in the subsections following:

- ☐ Bundled pricing
- ☐ Unbundled pricing

One account can attract a combination of these pricing options.

1.4.1 Bundled Pricing Options

With bundled pricing, the bank charges a fixed monthly fee for a bundle of transactions. The bank will specify the type and number of transactions included in the bundle. Transactions not included in the bundle of transactions are charged either on the pay-as-you-transact basis or other special charges are applied.

Some banks offer packages where a specified bundle of transactions is provided free, as long as the client maintains a minimum balance in their account for the full calendar month. If the balance falls below the required minimum, even for one day only, per transaction charges are applied.

These bundle pricing options are structured around defined profiles of client behaviour and have the potential to be less costly for clients whose behaviour falls within the parameters of these profiles.

The bundled options are not available on the basic savings and transmission accounts, only on full transactional savings and current (cheque) accounts at most banks. A full-service transactional account provides the client with full access to all the bank’s channels, such as cell phone and internet banking, and is suited to clients who earn a regular monthly income.

At some banks, the bundled option is also combined with offering the client rebate banking to reduce the cost further. Rebate banking is a fee refund which means that the client receives all or part of a fee paid back in cash. For example, the Nedbank Everyday Current Account is offered to clients at the bundle fee of R105 per month, however, should the client's Nedbank home loan and credit card monthly debit order be linked to the current account, the client will receive a rebate of R30, thereby only paying R75 per month.

1.4.2 Unbundled Pricing Options

The unbundled pricing option is a pay as you use pricing. With this option, the bank charges a fee per transaction or service. The fee can be structured in one of the following manners:

- ☐ A flat fee
- ☐ An ad valorem fee
- ☐ Banded fee

The fee structure will depend on the type and value of the transaction. There will also usually be other basic charges, like monthly administration fees, which do not directly relate to the transactions on the account.

Most basic savings and investment accounts attract one of these fee structures, depending on the type of account, and it will differ at each bank.

The fee structures are considered in the subsections following.

I) Flat Fees

A flat fee refers to a fixed amount that is charged per transaction. This can also be applied in two ways:

- ☐ **Fixed flat fees:** One fixed fee is charged irrespective of the amount of transaction. For example, the bank charges a client R5 for the payment of an internal debit order of R1 500, while the client would have to pay R25 for the payment of an external debit order of R1 400. The value of the transaction does not affect the charge at all, as it is a fixed charge depending on the type of transaction.
- ☐ **Tiered flat fee:** A number of transactions are charged at a lower rate per transaction, thereafter, a higher flat rate applies per transaction to all subsequent transactions beyond the limit. For example, the first five cash withdrawals in a month will cost R7 each, but from the sixth cash withdrawal, the client will be charged R9 per withdrawal thereafter.

II) Ad Valorem Fee Structure

The ad valorem fee structure is a fee structure that is determined according to the value of the transaction. The fee increases as the value of the transaction increases. This is the most widely used pricing structure on accounts.

There are three different ad valorem pricing formulas that banks normally apply across their various products.

1. Three-part formula
2. Two-part formula
3. One-part formula

Three-Part Formula

The three-part formula is used to charge for cheques issued and consist of the following:

- ☐ A minimum fee: the base fee
- ☐ A value-related fee: The fee calculated on the value in unit of R100 or part therefore
- ☐ The maximum amount that can be levelled.

EXAMPLE

The bank charges are structured as follows for a cheque account:

- Minimum withdrawal fee: R3.50
- Value related fee: Plus 0.65 for each R100 withdrawn or part thereof
- Maximum charge: R15.00

If the withdrawal was R755.00, the cost would be R3.50 + (R755.00/100) = 8 units of R100 = (R0.65 × 8) = R5.20

The total cost of this transaction would be (R3.50 + R5.20) = R8.70.

The client will be charged R8.70 for this transaction as it is less than the maximum charge of R15.

Two-Part Formula

Only the following applies to a two-part formula fee:

- ☐ A minimum fee: the base fee
- ☐ A value-related fee: The fee calculated on the value in unit of R100 or part therefore

With this pricing structure, there is no maximum fee.

The value related fee can either be inclusive of the first R100 paid or exclusive.

One-Part Formula

With a one-part formula fee there is only a value related fee. Therefore, no minimum or maximum fee. For example, an investment account holder wishes to deposit funds into the investment account but all credits into the account attract a 0.3 percent fee of the deposit value.

III) Banded Fees

With banded fees, the fee is charged based on parameters of value of transaction. Therefore, the banded fee is similar to a tiered flat rate option in that the higher the value of the transaction, the higher the fee. The banded fee works similar to the ad valorem fee but is simpler to calculate.

For example, a band for a withdrawal could be made up as outlined in the table following.

Value of cash withdrawal	Fee
Up to R600.00	R4.00
R601.00 – R1 200.00	R8.00
R1 201 +	R16.00

Table 1.4.1: Fee Structure

1.5 TYPES OF FEES AND CHARGES

There are many types of fees that banks charge, based on the pricing options discussed previously, for the various product types. These fees are considered in the subsections following. These fees include VAT.

1.5.1 Over-the-Counter Fees

Over-the-counter fees are charges for transactions made in the branch, such as when the client deposits cash or makes a withdrawal at the teller's counter. It is cheaper to avail of electronic-type banking, and banks encourage clients to use this mechanism. The more labour intensive a service, the higher the cost, i.e. the more clients that come into a bank to perform basic transactions, the more staff members have to be employed, and the higher the cost of the overall business operations. Certain over-the-counter enquiries, such as balance requests, could also attract a fee.

1.5.2 Monthly Service Fees

A monthly service fee is a fee levied over and above any transactional fees on the account and is a once-off monthly payment. A monthly service fee is usually charged based on the nature of the product and the corresponding service provided.

1.5.3 Debit and/or Stop Order Fees

Debit and/or stop order fees are a charge to the client for the processing of a debit and/or stop order on the client's account, and the pricing of these fees vary from bank to bank.

1.5.4 ATM Transaction Fees

ATM transaction fees are charged for withdrawals, deposits, balance enquiries and mini- statements, as well as account payments and transfers. The price and fees for transactions always relates to the type of pricing option chosen and the account product. ATM fees are charged at a higher rate when using another bank's ATM.

1.5.5 Point-of-Sale (POS) Fees

Point-of-sale (POS) fees are charged on a transaction where the client chose to pay for his purchase with his debit card in a retail store. It is reflected as a POS transaction on the client's statement. The client is asked to enter his PIN number on the retailer's payment machine in store and/or in certain instances also to sign the payment invoice. This action then authorises the direct debiting of the client's account for the full value of the transaction. It is a safer means of transacting as the client does not need to carry cash.

1.5.6 Card Fees

Clients can be charged an annual card fee depending on the product, as well as a replacement card fee when the card has been lost or stolen. These fees can be negotiated, and in some cases the charge can be waived.

1.5.7 Statement Fees

Many banks charge clients for mailing regular statements to them on a monthly basis, depending on the product type. If the client makes use of electronic receipt of statements, for example, via email, then there is no charge. Fees are also charged for the request of additional statements. When a client has a complaint and a statement has to be drawn to resolve the complaint there is no charge.

1.5.8 Stop Payment Fees

If the client requests to stop a debit order or a cheque, a fee is charged for the cost of processing the request.

1.5.9 Special Clearance Fees

A special clearance is often requested by a client when a cheque deposit is made into his account that he requires express clearance on. Cheques generally have a clearance period of seven days depending on bank policy and process. The charge is the cost involved for performing a process that will speed up the clearance time on this specific cheque. The time that a special clearance takes depends on which bank the cheque originates from and the process involved in clearing the cheque.

1.5.10 Unpaid Fees

A fee is charged for a cheque or debit order that has to be returned because the client has insufficient funds in the account to cover the amount.

Topic 2 Short-term and Long-term Deposits Product Features

LEARNING OUTCOMES

After studying the topic, the learner should be able to-

- Understand the product rules that apply to all short term and long-term deposits as well as the specific product rules.
- Outline the features, benefits, suitability and risk applicable to all types of short- and long-term deposits.
- Outline the taxation on interest earned.

2.1 PRODUCT RULES

Each deposit product has specific terms and conditions or product rules that clearly describe how the client should operate the account. These rules also set out the deposit taking institution's rights and duties in relation to these operations. Every deposit taking institution has their own general set of terms and conditions that may be applied to all accounts.

When a client opens an account, they agree to be bound by these rules, including the manner in which they transact, and the use of all access mechanisms issued on the account. The product rules may be amended by and changes must be communicated to clients. Deposit taking institutions are not allowed to change rules or conditions unilaterally to the detriment of their clients. The rules provided in this section are merely a guide and do not relate directly to any specific product.

2.1.1 Product rules that apply to all short term and long-term deposits

I) Opening of the Account

Clients must be satisfied that the product is suitable and meets their needs before signing the agreement.

Clients need to ensure that all tax matters are referred to a specialist tax consultant.

Clients need to be able to provide all related identification and proof of residential documents as required by law.

II) Access to the Account

Access is subject to the approval criteria for the specific product.

Clients need to be aware that information can be made available to credit bureaux and similar agencies prior to the approval of the account.

III) Use of the Card Issued

The card and PIN must not be kept together.

The card must only be operated on by the accountholder.

The card must be signed at the back in black ink.

IV) Confidentiality

All clients' information will be treated as confidential and shall not be disclosed unless-

- ☐ It is in the public's interest to disclose.
- ☐ The bank is legally compelled to disclose.
- ☐ The client has given consent to disclose.

Information on the status and conduct of the account can be provided to all divisions of the bank, the credit bureaux, South African Revenue Services (SARS) and similar agencies.

2.2 PRODUCT CATEGORIES

There are various products that are offered by banks and other deposit taking institutions that falls within the definition of short-term deposits or long-term deposits. The following product categories will be considered in the sections following:

- ☐ Cheque/current accounts
- ☐ Transmission accounts
- ☐ Savings options
- ☐ Call accounts
- ☐ Notice deposit accounts
- ☐ Fixed deposit accounts
- ☐ Money market accounts

Reference in this section to bank includes any of the deposit taking institutions that is permitted to make such a product available to clients.

2.3 CHEQUE ACCOUNTS

Cheque accounts are transactional accounts. These accounts are also known as current accounts. This type of account is ideally suited to individuals earning a regular monthly income.

A cheque account allows the client to transact and manage their finances using a variety of convenient mechanisms, including the branch network, ATMs, internet banking, telephone and cell phone banking. Additional options that the client can avail of include a chequebook or overdraft facility. The clients can conveniently manage this account through the receipt of monthly statements.

Banks offer different types of cheque accounts to match the varying needs of their clients. These range from entry-level accounts for people just starting out their working careers to accounts that cater for specific income groups, professions, financially prosperous and senior citizens.

2.3.1 Features

The features of cheque accounts are detailed in the table following.

Feature	Description
Access to funds:	Funds can be accessed on demand subject to bank clearance. The client will be issued with a cheque card or debit card, and a chequebook can be issued on request, subject to approval criteria.
Statements:	Statements are provided monthly and on request either by mail or electronically.
Stopping of payments:	Stop payment can be requested on lost or stolen cheques that have not yet been presented for payment.
Deposits and withdrawals:	Cash and cheque deposits, as well as cash and cheque withdrawals can be processed.
Transfers:	Transfer of funds to other accounts, branches and banks via the banks transfer system or electronically through an online banking mechanism.
Payments:	Debit orders and stop orders can be processed on the account. An account payment option is available to pay regular bills.
Issue of access mechanisms:	Debit or cheque cards are issued on the account. Chequebooks are optional and available on request.
Charges:	Monthly administration fees, service fees and bank charges are levied on the account.
Interest:	Interest is not paid on credit balances. Debit interest will be levied in overdrawn accounts at an agreed-upon rate.
Income criteria:	Applicable minimum monthly income criteria depending on the product.
Granting of overdraft and loans:	Overdrafts and loans can be granted subject to creditworthiness and affordability.

Table 2.3.1: Features of a Cheque Account

2.3.2 Benefits

Clients have convenient access to funds through electronic mechanisms or the option of the use of cheques if all qualifying criteria have been met for this mechanism. Funds can be accessed 24-hours per day through the use of conveniently located ATMs and point-of-sale transactions for cheque accounts issued by banks. The entire bank branch network can also be used for over-the-counter transactions. There are maximum withdrawal limits that apply to all of these transactions.

There are usually flexible pricing options to choose from. The client also has the option to apply for loans, overdraft facilities and a chequebook – subject to specified qualifying criteria.

Most banks provide online banking, where banking can be conducted online usually at a fee. This is a practical, convenient and cost-effective way of transacting. Telephone and cell phone banking options are also available.

2.3.3 Product Rules

I) Use of the Account

The bank may pay any cheques or debits purported to be accepted or signed by the client, whether the account is in credit or not.

The bank has the right not to pay cheques that are post-dated or stale or irregular in any way, or if the client does not have sufficient funds to meet the whole amount of the cheque.

Cheques deposited are subject to a specified clearance period and cannot be drawn until cleared by the bank.

Authorised signatories may be nominated by the accountholder to operate on the account – the client will be liable for all transactions conducted by the authorised signatory.

II) Fees and Charges

The bank may charge service fees and charges for transactions as stipulated in the current pricing guide.

The bank may charge debit interest on all overdrawn balances at the maximum rates allowed by law.

Inter-account transfers do not attract service fees.

III) Interest

The bank may vary interest rates and fees from time to time – notification of changes must be provided in a reasonable time and using applicable means (e.g. publishing a new pricing guide in the media or written notification).

No credit interest will be paid on chequeaccounts.

IV) Statements

Statements will be issued monthly and will be sent to the client either via surface mail or electronic means.

All statements must be checked by the client and any queries need to be brought to the bank's attention within 30 days from receipt of the statement.

2.3.4 Suitability and Risk

A cheque account is suitable for clients with high transactional needs, seeking a convenient way to make payments, withdrawals and transfers.

2.4 TRANSMISSION ACCOUNTS

Transmission accounts are transactional accounts that offer a lower transactional fee to cheque accounts. These accounts are for entry-level users or for individuals and small businesses that do not have a need for credit and cheque facilities.

2.4.1 Features

The features of transmission accounts are detailed in the table following.

Feature	Description
Access to funds:	Funds can be accessed on demand subject to bank clearance. The client will be issued with a debit card subject to approval criteria.
Statements:	Statements are provided monthly and on request either by mail or electronically.
Stopping of payments:	Stop payment can be requested on debit orders if the debit order was not authorised by the accountholder or has not been presented for payment.
Deposits and withdrawals:	Cash and cheque deposits, as well as cash withdrawals using an electronic/debit access card, can be processed.
Transfers:	Transfer of funds to other accounts, branches and banks via the banks transfer system or electronically through an online banking mechanism.
Payments:	Debit orders and stop orders can be processed on the account. An account payment option is available to pay regular bills.
Issue of access mechanisms:	Debit cards are issued on the account.
Charges:	Monthly administration fees, service fees and bank charges are levied on the account.
Interest:	Interest is not paid on credit balances.
Income criteria:	Applicable minimum monthly income criteria depending on the product.
Granting of overdraft and loans:	Overdrafts and loans can be granted subject to creditworthiness and affordability.

Table 2.4.1: Features of a Transmission Account

2.4.2 Benefits

Clients have convenient access to funds through electronic mechanisms. Funds can be accessed 24 hours per day through the use of conveniently located ATMs and point-of-sale transactions. The entire bank branch network can also be used for over-the-counter transactions. There are maximum withdrawal limits that apply to all of these transactions.

There are usually flexible pricing options to choose from.

Most banks provide online banking, where banking can be conducted online usually at a fee. This is a practical, convenient and cost-effective way of transacting. Telephone and cell phone banking options are also available.

2.4.3 Product Rules

I) Use of the Account

The bank may pay any debit orders purported to be accepted or signed by the client, whether the account is in credit or not.

Cheques deposited are subject to a specified clearance period and cannot be drawn until cleared by the bank.

Authorised signatories may be nominated by the accountholder to operate on the account – the client will be liable for all transactions conducted by the authorised signatory.

II) Fees and Charges

The bank may charge service fees and charges for transactions as stipulated in the current pricing guide.

The bank may charge debit interest on all overdrawn balances at the maximum rates allowed by law.

Inter-account transfers do not attract service fees.

III) Interest

The bank may vary interest rates and fees from time to time – notification of changes must be provided in a reasonable time and using applicable means, e.g. publishing new pricing guide in the media or written notification.

No credit interest will be paid on transmission accounts.

IV) Statements

Statements will be issued monthly and will be sent to the client either via surface mail or electronic means.

All statements must be checked by the client and any queries need to be brought to the bank's attention within 30 days from receipt of the statement.

2.4.4 Suitability and Risk

A transmission account is suitable for clients with high transactional needs, seeking a convenient way to make payments, withdrawals and transfers.

2.5 SAVINGS ACCOUNTS

A savings account is intended for people who have excess funds available which they would like to be able to access easily. This account is intended for savings purposes and a low interest rate is paid on credit balances. Tiered interest rates usually apply to the standard savings account, i.e. the higher the balance, the higher the interest earned.

There are various savings account options including:

- **Discretionary savings:** This is a basic standard savings account.
- **Savings accounts especially tailored for children and teenagers:** These savings accounts typically attract young depositors by offering benefits such as discounts on movie tickets. These accounts encourage a good savings ethic and help depositors learn how to manage their finances from a young age.
- **Tax-free savings accounts:** A maximum annual limit of R33 000 and a lifetime limit of R500 000 may be saved on this account. All interest received is tax-free.

2.5.1 Features

The features of savings accounts are detailed in the table following.

Feature	**Description**
Access to funds:	Funds can be accessed on demand, subject to bank clearance. The account can be accessed at bank branches over the counter and at ATMs. A card and PIN will be issued.
Deposits and withdrawals:	Cash and cheque deposits, as well as cash withdrawals using an electronic/debit access card, can be processed.
Transfers:	Transfer of funds to other accounts, branches and banks via the banks transfer system or electronically through an online banking mechanism.
Issue of access mechanisms:	Debit cards are issued on the account (book-based option on request)
Charges:	Fees are levied, such as service fees and cash deposit or cash handling fees.
Interest:	Interest is calculated daily and credited monthly (tiered interest rates apply).
Balances:	Minimum balances as set out by the bank; no maximum balance except for the tax-free savings account noted above.

Table 2.5.1: Features of a Savings Account

2.5.2 Benefits

Clients have convenient access to funds through electronic mechanisms. Funds can be accessed 24-hours per day through the use of conveniently located ATMs and point of sale transactions. The entire bank branch network can also be used for over-the-counter transactions. There are maximum withdrawal limits that apply to all of these transactions.

This is a secure means of saving money for emergencies and future needs. The capital amount is guaranteed.

The more money that is saved the more interest earned.

2.5.3 Product Rules

I) Use of the Account

A minimum opening deposit is required as stipulated by the bank and can change at any time.

Funds can be accessed at any time and can be transferred to any other accounts in the name of the accountholder in the bank's books.

Deposits and transfers can be made at any time.

II) Fees and Charges

The bank may charge service fees and charges for transactions as stipulated in the current pricing guide.

Inter-account transfers attract service fees.

A savings account is not intended to be a regular transactional account and the transactional fees would usually be higher than the average cheque account.

III) Interest

Interest is calculated daily at the indicated rate and changes in interest rates are effective immediately.

IV) Statements

Statements are available on request.

Mini-statements and balances can be obtained at the ATM.

V) Close Accounts

Accounts will be closed if they become inactive or fall below the minimum balance requirement – prior notice will be given.

In the case of fraud or if the law compels the bank; the account will be closed.

VI) Tax

Income tax certificates detailing interest earned are available on request.

Income tax information is furnished to SARS.

2.5.4 Suitability and Risk

A bank savings account is a short-term investment and is considered a risk-free investment. The main risk is that the interest earned may not exceed inflation. This type of product is mostly suited to new entrants to the financial market and low-income earners. This is a useful mechanism for saving for short-term goals.

2.6 CALL DEPOSIT ACCOUNTS

A call deposit account allows the client easy access to their funds. Most banks require a minimum amount of R1000 to open the account.

There are other restrictions on these accounts, such as limits on amounts that can be withdrawn and deposited. Fees are levied on transactions at applicable rates and interest is calculated daily. There is usually no administration fee on this account.

The interest earned on this type of account will be lower than that of a notice deposit or fixed deposit.

2.6.1 Features

The features of call deposit accounts are detailed in the table following.

Feature	Description
Access to funds:	Funds can be accessed on demand, subject to bank clearance.
Statements:	Statements are provided on request.
Deposits and withdrawals:	Cash and cheque deposits, as well as cash and withdrawals can be processed over the counter.
Transfers:	Transfer of funds is limited to accounts in the accountholder's name and can be conducted via the bank's transfer system or electronically through an online banking mechanism.
Issue of access mechanisms:	None available – client can link this account to the transactional account and transfer funds to and from the account through cell phone or telephone and internet banking.
Charges:	Monthly service fees and bank charges, including cash handling fees, are levied on the account.
Interest:	Interest is calculated daily at a rate determined by the bank from time to time. Changes in interest rates are effective immediately.
Balances:	Minimum balance as set out to be maintained on account.

Table 2.6.1: Features of a Call Deposit Account

2.6.2 Benefits

Clients have convenient access to funds through the branch network. There are minimum and maximum withdrawal and deposit limits that apply to all of these transactions.

All banking can be conducted online (transaction charges will be levied). This is a practical, convenient and cost-effective way of transacting. Telephone and cell phone banking options are also available.

The capital amount is guaranteed; therefore, this is a low risk investment option.

Interest is earned at a tiered rate, which means, the higher the balance, the higher the amount of interest earned.

Funds can be used as security against loans with the bank's consent.

2.6.3 Product Rules

I) Use of the Account

Cheques deposited are subject to a specified clearance period and cannot be drawn until cleared by the bank.

Authorised signatories may be nominated by the accountholder to operate on the account – the client will be liable for all transactions conducted by the authorised signatory.

II) Fees and Charges

The bank may charge service fees and charges for transactions as stipulated in the current pricing guide.

Call accounts do not attract specific pricing options. In some cases, an ad valorem fee might be charged on deposits, withdrawals, transfers and statements.

Fees for special clearances could also be levied on this account, as well as any additional requests for backdated statements.

There are no penalty fees on a basic call account because the funds can be accessed immediately. Most banks do not charge for the basic transactions on these types of accounts.

III) Interest

The bank may vary interest rates and fees from time to time – notification of changes must be provided in a reasonable time and using applicable means, e.g. publishing a new pricing guide in the media or written notification.

Interest is calculated daily at a rate determined by the bank from time to time. Changes in interest rates are effective immediately.

IV) Statements

Statements are available on request.

V) Close accounts

Accounts will be closed if they become inactive or fall below the minimum balance requirement – prior notice will be given.

In the case of fraud or if the law compels the bank; the account will be closed.

VI) Tax

Income tax certificates detailing interest earned are available on request.

Income tax information is furnished to SARS.

2.6.4 Suitability and Risk

A call account is usually viewed as a short-term deposit, provided the funds are accessible within 12 months. This is a low-risk investment and is used by clients who have large amounts of money that they need to 'park' for a short period of time until the money is required. An example of this would be a client purchasing a home and/or motor vehicle where a deposit is required.

2.7 NOTICE DEPOSIT ACCOUNT

There are various types of notice deposit accounts, i.e. 32-day, 60-day and 88- day; some banks offer longer periods such as 185 days. These accounts require that the client gives the bank notice (applicable days, i.e. 32-days' notice for a 32-day notice deposit) in order to receive the funds. The client can put notice on the whole amount or on a portion of the funds that might be required.

The funds will only be released on expiry of the notice period. Interest on the funds is calculated daily and a minimum balance is required. The interest earned on notice deposits is usually higher than on call accounts.

Withdrawals during the notice period are not allowed but under certain circumstances will be considered subject to an early withdrawal penalty fee.

2.7.1 Features

The features of notice deposit accounts are detailed in the table following.

Feature	Description
Access to funds:	Funds can be accessed after giving notice in writing.
Statements:	Statements are provided on request.
Deposits and withdrawals:	Cash and cheque deposits or transfers into the account can be processed at any time.
Transfers:	Transfer of funds is limited to accounts in the accountholder's name and can be conducted via the bank's transfer system or electronically through an online banking mechanism.
Issue of access mechanisms:	None available
Charges:	No transaction fees are levied on this account.
Interest:	Interest is calculated daily and changes to interest rates are effective immediately; alternatively, after the notice period expires. Clients can choose to have the interest paid to another account or reinvested.
Balances:	Minimum opening deposit as stipulated. Minimum balance requirement, as set out, must be maintained on account.

Table 2.7.1: Features of a Notice Deposit Account

2.7.2 Benefits

Interest is earned at a tiered rate, which means, the higher the balance, the higher the amount of interest earned.

The capital amount is guaranteed; therefore, this is a low risk investment option.

Interest is earned at a tiered rate, which means, the higher the balance, the higher the amount of interest earned. The interest rate earned can also increase as the notice period increase.

2.7.3 Product Rules

I) Use of the Account

Cheques deposited are subject to a specified clearance period and cannot be drawn until cleared by the bank.

Authorised signatories may be nominated by the accountholder to operate on the account – the client will be liable for all transactions conducted by the authorised signatory.

II) Fees and Charges

There are no transactional fees on this account.

Notice deposit accounts do not attract a specific pricing option and there is no monthly fee payable.

Special request, such as a request for special clearance or backdated statements, could attract a fee.

Cash deposits could also attract an applicable cash deposit fee.

Penalty fees are charged for withdrawals made prior to the expiry of the notice period. The penalty fee can affect the capital amount.

Penalty fees are payable on these types of accounts and the pricing differs from a flat fee to a percentage of the withdrawal amount.

III) Interest

The bank may vary interest rates and fees from time to time – notification of changes must be provided in a reasonable time and using applicable means, e.g. publishing a new pricing guide in the media or written notification.

IV) Statements

Statements are available on request.

V) Close accounts

Accounts will be closed if they become inactive or fall below the minimum balance requirement – prior notice will be given.

In the case of fraud or if the law compels the bank; the account will be closed.

VI) Tax

Income tax certificates detailing interest earned are available on request.

Income tax information is furnished to SARS.

2.7.4 Suitability and Risk

A notice deposit account is a short-term deposit where the funds are accessible only once written notice is given by the client. The notice deposit account is regarded as low risk and attracts investors looking for a higher interest-earning potential than paid by a standard call or savings account. This account is suitable for investors who do not require immediate access to their funds, have a deposit of at least R1 000 and who would like to be able to add to the investment amount from time to time.

2.8 FIXED DEPOSIT ACCOUNT

A fixed deposit is a single deposit that is invested for a fixed period at a guaranteed fixed rate of interest. There are various fixed deposits with maturity dates ranging from one month to 60 months. Various banks offer flexible fixed deposit options, where limited withdrawals can be made subject to a limited percentage of the available balance.

There are also fixed deposits where the interest rate is linked to the prime rate. This means the rate will impact on the earning potential of the investment as the prime rate fluctuates.

The features, benefits and rules listed below pertain to a general standard fixed deposit.

2.8.1 Features

The features of fixed deposit accounts are detailed in the table following.

Feature	Description
Access to funds:	Withdrawals before the maturity date are not allowed. Minimum balance requirement as set out must be maintained on account.
Statements:	Statements are provided on request.
Deposits and withdrawals:	No deposits and withdrawals or transfers can be made into this account before maturity date. Withdrawals before maturity are not allowed, but under certain circumstances will be considered, subject to an early withdrawal penalty fee.
Issue of access mechanisms:	None available
Charges:	No transaction fees are levied on this account.
Interest rates:	Interest rates remain fixed for the entire period of the investment.
Interest:	Interest can be paid on maturity, monthly, quarterly or bi- annually into an account as stipulated by the client but cannot be reinvested into the account. Interest can be added to the capital at maturity.

Table 2.8.1: Features of a Fixed Deposit Account

2.8.2 Benefits

Interest is earned at a tiered rate, which means, the higher the balance, the higher the amount of interest earned. Interest rate remains fixed for the entire period of the investment and will not be affected by fluctuations

The higher the amount invested, the higher the rate of interest paid. The longer the investment period, the higher the rate of interest paid.

The capital amount is guaranteed; therefore, this is a low risk investment option.

Funds can be used as security against loans, with the bank's consent.

2.8.3 Product Rules

I) Use of the Account

The client must provide the bank with written instructions regarding the placement of funds at maturity. If the bank does not receive instructions, the funds will be reinvested for the same term at the current interest rate.

II) Fees and Charges

There are no transactional fees on this account.

Penalty fees are charged for withdrawals made prior to maturity. The penalty fee can affect the capital amount. The pricing of penalty fees ranges from a flat fee to a percentage of the withdrawal amount.

III) Interest

Interest can be paid on maturity, monthly, quarterly or bi- annually into an account as stipulated by the client but cannot be reinvested into the account. Interest can be added to the capital at maturity.

IV) Statements

Statements are available on request.

V) Close accounts

In the case of fraud or if the law compels the bank; the account will be closed.

VI) Tax

Income tax certificates detailing interest earned are available on request.

Income tax information is furnished to SARS.

2.8.4 Suitability and Risk

This account can be classified as a short-term deposit if the client has access to the funds within 12 months. However, a longer investment period can be chosen. This is a low-risk investment and is suitable for clients who have a lump sum that they want to invest but which is not required immediately.

2.9 MONEY MARKET ACCOUNTS

Money market accounts differ from bank to bank and range from limiting transactions to deposits, withdrawals and inter-account transfers, to providing the client with access to the full range of transactions, including debit and stop order facilities.

Some banks make a distinction between a transactional money market and an investment money market account. The transactional account provides the same facilities as a cheque account, while the investment account limits transactions to deposits, withdrawals and inter-account transfers. Both of these accounts require a large minimum deposit that must be maintained at all times in the account, and transactional fees are relatively high in comparison to similar accounts. The advantage of this account is that higher rates of interest are earned in comparison to other demand deposit accounts.

Money market accounts suit conservative investors who might want to supplement their income with the interest earned.

2.9.1 Features

The features of money market accounts are detailed in the table following.

Feature	Description
Access to funds:	Funds can be accessed on demand, subject to bank clearance.
Statements:	Statements are provided on request.
Balances:	Minimum balance as set out to be maintained on account. Issue of statements: Statements are provided monthly and on request.
Stopping payments:	Stop payment can be requested on lost or stolen cheques that have not yet been presented for payment.
Deposits and withdrawals:	Cash and cheque deposits as well as cash and cheque withdrawals can be processed.
Transfers:	Transfer of funds to other accounts, branches and banks via the banks transfer system or electronically through an online banking mechanism.
Payments:	Debit orders and stop orders can be processed on the account. An account payment option is available to pay regular bills.
Issue of access mechanisms:	Debit or cheque cards are issued on the account. Chequebooks are optional and available on request.
Charges:	Monthly administration fees, service fees and bank charges are levied on the account.
Income criteria:	Applicable minimum monthly income criteria depending on the product.
Interest rates:	Interest rate is higher than a normal saving or fixed deposit account as it is closely related to money market rates such as JIBAR.
Interest:	Interest is calculated daily at a rate determined by the bank from time to time. Changes in interest rates are effective immediately.

Table 2.9.1: Features of a Money Market Account

2.9.2 Benefits

Clients have convenient access to funds through electronic mechanisms or the option of the use of cheques (if all qualifying criteria have been met for this mechanism). Funds can be accessed 24-hours per day through the use of conveniently located ATMs and point-of-sale transactions. The entire bank branch network can also be used for over–the-counter transactions. There are maximum withdrawal limits that apply to all of these transactions.

All banking can be conducted online (monthly service fee and transaction charges will be levied). This is a practical, convenient and cost-effective way of transacting. Telephone and cell phone banking options are also available.

The capital amount is guaranteed; therefore, this is a low risk investment option.

The convenience of a cheque account with the advantage of earning interest on credit balances.

2.9.3 Product Rules

I) Use of the Account

The bank may pay any cheques or debits purported to be accepted or signed by the client, whether the account is in credit or not.

The bank has the right not to pay cheques that are post-dated or stale or irregular in any way, or if the client does not have sufficient funds to meet the whole amount of the cheque.

Cheques deposited are subject to a specified clearance period and cannot be drawn until cleared by the bank.

Authorised signatories may be nominated by the accountholder to operate on the account – the client will be liable for all transactions conducted by the authorised signatory.

II) Fees and Charges

The bank may charge service fees and for transactions, as stipulated in the current pricing guide.

The general price of these accounts relates to the transactional fees that could be considerably higher than a basic cheque account, given that the account attracts interest on credit balances, as well as providing the same transactional ability as a cheque account. The transactions are usually charged on an ad valorem fee basis, which means that some transactions are charged a base fee plus a percentage of the transaction value, up to a maximum amount, while others are charged a base fee only. Depending on the bank, some transactions will be 'free' or included as part of the product package.

The bank may charge debit interest on all overdrawn balances at the maximum rates allowed by law.

III) Interest

The bank may vary interest rates and fees from time to time – notification of changes must be provided in a reasonable time and using applicable means, e.g. publishing new pricing guides in the media or written notification.

Interest is calculated daily at a rate determined by the bank from time to time. Changes in interest rates are effective immediately.

IV) Statements

Statements will be issued monthly and will be sent to the client either by surface mail or by electronic means.

All statements must be checked by the client and any queries need to be brought to the bank's attention within 30 days from receipt of the statement.

V) Close Accounts

Accounts will be closed if they become inactive or fall below the minimum balance requirement – prior notice will be given.

In the case of fraud or if the law compels the bank, the account will be closed.

VI) Tax

Income tax certificates detailing interest earned are available on request.

Income tax information is furnished to SARS.

2.9.4 Suitability and Risk

This type of demand deposit account generally attracts tiered interest rates, as published by the bank, and earns a higher rate of interest than savings, call or notice deposits. However, a fairly large deposit must be maintained at all times to receive these preferential interest rates. The interest rate can fluctuate daily, depending on market conditions. This is a low-risk deposit account.

2.10 TAXATION ON INTEREST EARNED

This interest income is subject to income tax and is taxed at your marginal tax rate. Individual taxpayers enjoy an annual exemption on all South African interest income they earn, set by SARS every year. For both 2018 and 2019, this exemption is R23,800 for individuals under 65 years old and R34,500 for individuals 65 years and older.

The deposit taking institute does not withhold tax from interest earned and the holder must declare the interest income to SARS.

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