



# Cenfri: Corporate Profile

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# 1. Introduction

This document provides a basic profile of the Centre for Financial Regulation and Inclusion (Cenfri)<sup>1</sup>.

Cenfri is non-profit think tank, established in March 2008 with support of the FinMark Trust ([www.finmark.org.za](http://www.finmark.org.za)) and based in Cape Town, South Africa. Cenfri's mission is to support financial sector development and financial inclusion through facilitating better regulation and market provision of financial services. We do this by conducting research, providing advice and developing capacity building programmes for regulators, market players and other parties operating in the low-income market.

## 2. The need for support

*Balancing regulation and development.* Regulators in developing countries face significant challenges which they have to meet with limited resources. More so than in developed countries the cost of regulation impacts significantly on financial sector development and regulators need to strike a careful balance between maintaining appropriate regulatory standards and facilitating financial sector development and inclusion. Efficient regulatory design is, therefore, called for. Some of the challenges include:

- *Limited domestic policy framework.* Limited domestic policy capacity means that a comprehensive financial sector policy framework is often absent. This in turn means that it is difficult to prioritise the limited resources to areas of highest importance.
- *International standards.* Regulators are increasingly under pressure to comply with a growing body of international standards and best practices. These standards are often led by developed country experience with limited input from the developing world. As result, best practice templates are often weak in balancing the trade-offs between regulation and development as well as dealing with limited capacity and resources. Furthermore, little support is available to regulators to develop and implement an overall regulatory strategy and framework that could guide consistent regulations across all financial sectors and that recognises financial sector development and inclusion as an explicit policy objective.
- *Limited and transient skills base.* Regulatory capacity is also continuously undermined by the recruitment demands of the domestic private sector and other international players. The pool of skilled people in developing countries tends to be small and the demand for their services high. This means that regulators typically find it difficult to attract and retain talent capable of executing their regulatory objectives. This is particularly the case for the non-bank regulators.
- *Changing regulatory role and mandate.* The regulator's role has been expanded to not only monitor compliance with legislation and ensure stability of the sector but also to ensure consumer protection and facilitate development of the financial sector and financial inclusion. These added dimensions present new challenges and require different regulatory models. The market development objective also means that conservatism is no longer an unmitigated blessing and the cost of this in terms of market development needs to be carefully weighed.
- *Extension of scope to non-financial objectives.* The new role of the regulator also includes non-financial objectives such as the control of crime conducted through the financial sector. An example is found in the requirement on countries to adopt AML/CFT regulation, which seeks to use the regulated financial sector to support its criminal investigations. There is great pressure

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<sup>1</sup> <http://www.cenfri.org>

on countries to adopt this regulation, which usually leaves little time to adjust it to domestic circumstances and can impact dramatically on the development of the financial sector.

- *Increasing pace of change.* The pace of change in the financial sector is increasing. New technology and business models as well as more complex business structures and cross-market operations are placing increasing demands on the regulator to be able to manage these developments in a way that facilitate innovation and competition but also ensures that it meets its regulatory objectives.

*Need for support and capacity building.* As a result of these dynamics, there is an increasing demand for policy makers and regulators who are not only technically proficient, but are also able to navigate the numerous objectives noted above and can regulate their industries in a manner that keeps pace with the changing markets and facilitates and encourages development. Few institutions exist to provide the consistent and on-going support required to build the capacity of regulators over time. It is these regulators and policy makers that the Cenfri is aiming to support and capacitate.

*Market impact.* The regulatory challenges mentioned above also create problems for market players. Inconsistent and inappropriate regulation across various jurisdictions makes it difficult to navigate this environment and obtain reasonable regulatory certainty when investing into a particular jurisdiction. Where regulatory regimes are unable to keep up with the pace of change this leaves new models in uncharted territory. In such environment of uncertainty, entry of new models is often discouraged as regulators tend to opt for a conservative approach. In this environment support for both regulator and regulated will be critical.

### **3. Focus areas and scope of activities**

Cenfri was created in response to the above and seeks to attract available expertise in Africa and globally to develop a deeper understanding of the challenges and solutions. The centre will undertake research and provide training to support the relevant policymakers, regulators and the regulated to meet these challenges.

***Scope of activities.*** To meet these needs Cenfri will target both policy and regulatory debates allowing it to support the full process from defining the policy framework and objectives, to drafting the legislation and subordinate regulation, to finally also the implementation of these regulations. In addition, the centre should keep abreast of innovative new business models and their regulation. More specifically, it is proposed that the Centre should focus on a number of inter-related and complementary activities:

- *Education programmes for regulators, regulated and developers of financial markets:* Developing training courses for regulators ranging from short interventions to full diploma and potentially post-graduate qualifications.
- *Regulatory and institutional design:* Actively supporting regulators (on a consultancy basis) to research and design proposed regulatory frameworks in a manner that develops a consistent and integrated financial sector regulatory framework and is in line with the capacity and constraints of the regulator and market. The regulatory challenges noted above also relate to the structure and design of regulatory institutions and mechanisms. This is a key area that would require support.
- *Compliance support and training.* In support of market players and to gain an understanding of the compliance burden and challenges, centre activities will include providing compliance support to regulated entities.

- *Support for implementation of new regulation*, including strategies to cope with new market challenges as regulation adjusts: Hands-on analysis and support that will allow us to gain first-hand insight into the challenges faced.
- *Regulatory impact assessment*: This could include both conducting such assessments as well as providing training to regulatory staff tasked with such assessments. In addition, it will be critical to embed the concepts of regulatory impact assessments in all other aspects of regulatory design and implementation.
- *Pro-active research and publication*: In addition to being client-led in the consulting work we also propose that the centre should take a leading role in publishing cutting edge material to guide international thinking on this topic. This will require a careful balance in activities and purposefully selected skills set and staffing, but will be a major advantage of the centre.
- *Inputting into the international debate on regulatory design and standards* presenting a consistent voice of Sub-Saharan countries in the development of international regulatory standards: Related to the previous bullet it should be a strategic aim of the centre to be involved in activities of the international bodies setting the standards for different aspects of financial regulation. These are religiously followed and imposed on developing country regulators and it is critical that the standards developed take account of the practical challenges and constraints faced by developing country regulators.

**Focus areas.** Recognising that the above activities are wide ranging, the skills and operational demands of such a centre will be significant. To ensure that it is viable to manage, it is necessary to commence operations with a smaller set of focus areas, which can then be expanded over time to cover other areas as the priorities demand. We propose that the focus should initially be on the training and consulting arms and specifically on five content themes (again inter-related):

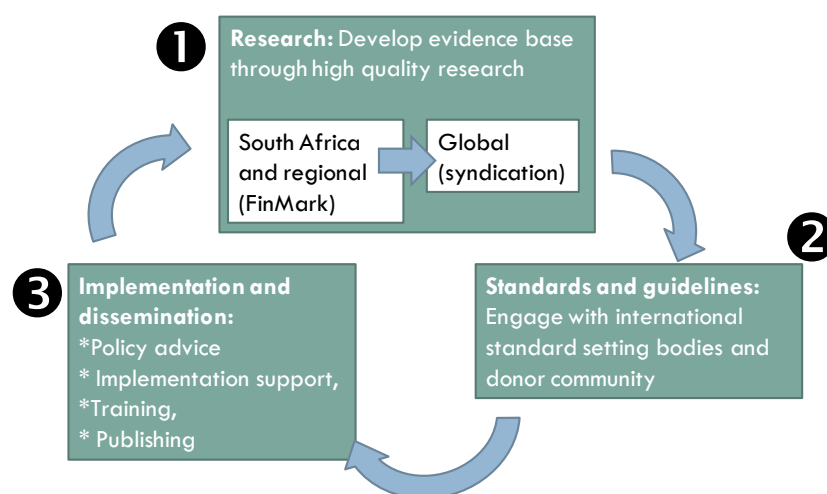
- *Micro-insurance (including health insurance)*: Insurance could play a critical role in supporting risk management for the poor. Regulatory frameworks for insurance, however, tend to be conservative and underdeveloped.
- *Remittances*: Remittances is a critical financial service to many low-income households relying on transfers from family members abroad. Although much work has been done on this, the regulatory environments in most developing countries remain weak and focused on foreign exchange control. The focus of our support will be to facilitate regulation that manages the risks of remittances but facilitates the introduction of new models and technologies in support of financial inclusion.
- *New technologies in distribution*: Technology is playing an increasing role across all financial services opening up new opportunities but also creating challenges. In particular, technology is opening up opportunities for lower-cost service models targeting the poor. This includes current developments around branchless and mobile banking. Kenya, Zambia, Philippines and South Africa are leading examples in this regard.
- *Anti-money laundering/Combating of financing of terrorists (AML/CFT)*: This is one of the most pressing areas of support. Whereas the other areas of development is often at the discretion of the regulator without immediate demands for action, regulators are placed under immense pressure to implement AML/CFT measures or face exclusion from the international financial sector as well as other sanctions (e.g. conditional funding from donor and other multi-lateral agencies). Regulators, therefore, have very little choice to implement these regulations and do so quickly. Our experience has shown that this often comes at great cost in terms of development.
- *Policy and regulatory frameworks and strategy*: In addition to the above themes, a central component of training will focus on the development of coherent and development-orientated

policy and regulatory frameworks. This will include research tools, impact assessments and basis processes in policy/regulatory design. In particular, this area will consider the role of financial sector policy and regulation in financial sector development and inclusion.

With these focus areas we are not making a value judgment on the importance of other areas, but simply utilising the fact that these are currently prominent themes in which Cenfri has built up significant experience and that can easily be used to attract our target market.

**Geographical focus.** The centre will focus its activities on the African continent, but draw from lessons and experience across developing countries globally.

We believe that the above focus areas and activities will provide a powerful mutual reinforcing project cycle as illustrated below.



#### 4. Operational structure and expected evolution of business model

*Operational structure.* Cenfri’s operational structure seeks to leverage the training infrastructure and accreditation of a university but retain the structure, agility and pragmatic focus of a consulting firm. This will allow the centre to draw on expertise inside and outside the university (especially first-hand and cutting edge practical experience) and offer competitive advisory services as well as comprehensive training programmes. Key features of Cenfri’s design include:

- *An independent, non-profit entity.* Surpluses are re-invested in the work of the centre (particularly public interest projects and academic research, for which funding may not be available).
- *Associated with a suitable university.* We have entered into a teaming agreement with the University of Stellenbosch’s Business School Executive Development Ltd (USB-ED) to explore cooperation on various projects and training.
- *Independent budget and resources* allowing us to pursue our proposed research agenda.
- Drawing on skills and resources from various universities and centres of expertise in the region, in Africa and abroad.
- *Staffed by a small core group of people,* drawing on academic staff of partner universities and/or external consultants where relevant.

*Relationship with USB.* Cenfri has retained its independence as legal entity with separate management, board and operations. The association is structured around specific projects of mutual interest with specific effort to evolve such projects over time. To ensure the development of areas of mutual interest and on-going synergy, Cenfri has appointed a USB-ED representative to the Cenfri board.

*Expected evolution.* Cenfri is a new entity with many opportunities and challenges in fulfilling its vision as set out above. Given limited capacity it is necessary to sequence the areas of focus to gradually build the full set of activities. The likely sequence and activities are outlined below:

- *Project-based research and advisory services.* Given the skills set and experience of the core staff, Cenfri will commence with a focus on research and advisory services and this is likely to make up the bulk of our income for the first 5 years. This is necessary as a source of income but also to extend our areas of expertise across the different sectors we propose to cover. Surpluses generated in these projects will be utilised to fund capacity building and academic activities.
- *Short training programmes.* Over time, we shall seek to convert the research outputs into short capacity-building programmes. These capacity building programmes could be attached to various existing conference and training programmes initially but eventually we plan to host an annual (1-2 week) capacity building programme with inclusion as main theme and with several modules focusing on specific sectors or themes. Our goal is to host such a formal Cenfri training event early in our second year of operation (or earlier if the opportunity presents itself).
- *Academic research and publication.* We shall be utilising the association with the university to apply for research funding from the university as well as the National Research Foundation. Such funds will be applied to deepen the academic grounding of the work that we are doing and develop academic publications drawing on our research.
- *Academic education programmes.* Building on all of the above activities, we propose to gradually extend into more formal academic training programmes. These may initially be in the form of contributions to existing graduate and post graduate programmes and, if successful, may eventually grow to make up a complete post graduate programme. It may be possible, at an early stage in our evolution, to already contribute modules to existing postgraduate programmes.

While the above set out the likely sequence of focus areas it will not develop in a completely sequential basis. We may, for example, be able to make quick gains on the short training programmes or academic publications while still focusing on the advisory work. We shall also be partnering with other institutions that can provide content on specific financial sectors for training and academic programmes in order to accelerate our entry into that space. Above all, activities and timelines will have to be shaped and informed by our on-going capacity and the success of initiatives.

## **5. Governance**

The following structures and processes are relevant:

*Board of directors.* Cenfri is governed by a board of directors. We propose to limit the board initially to 6 directors. We have appointed Doubell Chamberlain, Anne-Marie Chidzero (independent), Frik Landman (USB-ED), Rob Rusconi (FinMark Trust) and Craig Churchill (independent) as directors. We are looking to fill the final directors' position, including that of a non-executive Chairman, by someone from the cadre of industry or policymakers/regulators.

*Members' advisory committee.* In most Section 21 companies, members are not given an active role to play in the management and strategy of the entity. In Cenfri we propose to utilise the membership structure to provide an additional level of governance and strategic guidance. We shall, therefore, seek to appoint people who share in the vision for Cenfri and can provide strategic guidance to us. The members currently consist of founding staff (Doubell Chamberlain, Anja Smith, Louis de Koker, Hennie Bester) and a number of external advisors (David Porteous, Jeremy Leach<sup>2</sup> and two other positions (which are temporarily held by Lourensia Chamberlain and Jeanne Nel). Members' meetings will be held at least twice yearly but ideally quarterly.

## 6. Core team

The core Cenfri team consists of five individuals:

**Doubell Chamberlain** is the founder and managing director of Cenfri and consulting director to the FinMark Trust ([www.finmark.org.za](http://www.finmark.org.za)) responsible for their work in micro-insurance and health insurance.

Doubell is a development economist by training specialising in financial sector policy and regulatory strategy for development, access to financial services and supporting governments on making markets work for the poor. He holds a Masters in Economics (cum laude) from the University of Stellenbosch.

Prior to Cenfri, Doubell was employed for 6 years (from 2001-2007) at Genesis Analytics progressing to Engagement Manager and setting up the financial inclusion practice area, which he headed for the last two years. Over his period of employment he has worked on several projects relating to the provision of financial services to the poor (covering Botswana, Colombia, Lesotho, Indonesia, India, Kenya, Mexico, Namibia, Pakistan, South Africa, Swaziland and Uganda), the review and assessment (including cost-benefit analyses) of regulatory impact on various components of the financial sector in South Africa and Namibia, economic sector review and development strategies including the impact of regulation on non-financial markets (including the forestry value chain and business process outsourcing).

**Anja Smith** is the deputy director of Cenfri. Her responsibilities include supporting the FinMark Trust in its work on micro-insurance and other areas of financial inclusion. She is also managing the development of new areas of research in remittances and health financing.

Anja is a development economist by training, with experience in financial sector policy and regulatory strategy for development, access to financial services and supporting governments on making markets work for the poor. She holds a Masters in Economics (cum laude) from the University of Stellenbosch.

Prior to Cenfri, Anja was employed for almost 3 years at Genesis Analytics where she progressed to Associate level in the financial inclusion practice area. Over this period she worked on several projects related to the provision of financial services to the poor in South Africa, Mexico and Uganda. She was actively involved in a number of areas that form part of the research and strategy process, including data and information gathering, analysis of FinScope™, an annual financial services usage survey; managing client relationships through active communication on project

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<sup>2</sup> Appointment still to be finalised.

progress, obtaining client input into the research product; and managing project processes and timelines and creating and managing budgets.

She was also involved in various projects on micro-insurance, including studies on the intermediation and retail distribution of micro-insurance in South Africa and studies on the regulation of micro-insurance in both South African and Uganda. Anja also participated in a multi-country study (focusing on South Africa, Mexico, Pakistan, Indonesia and Kenya) to determine the impact of anti-money laundering and combating the financing of terrorism (AML/CFT) legislation on financial inclusion. As part of this study, she was responsible for the market analysis of both South African and Mexico.

**Christine Hougaard** is a full-time consultant with Cenfri, having recently joined the organisation after four years as an analyst and then associate at Genesis Analytics. She holds an MA in Economics (cum laude) from the University of Stellenbosch.

Since joining Genesis, Christine has worked in a number of fields, including competition and regulatory economics and sector development economics, before moving on to her real passion: financial inclusion. Recently, she has worked on a study for the FIRST Initiative on developing tools to assist developing countries to implement anti-money laundering legislation in an access-friendly way (a project which sprung out of Genesis's earlier work on this topic for the FinMark trust), where she was responsible for the Indonesian country study.

She was also a core team member compiling the National Treasury Discussion Paper on the regulation of micro-insurance as well as the SA Pilot study for the cross-country project to develop guidelines for the regulation of micro-insurance and has inputted on several other projects. She was part of the team considering old age savings for the poor in South Africa and was on the design team for the African Enterprise Challenge Fund for DFID. She is currently a team member in the fund management of DFID's Financial Education Fund.

**Prof Louis de Koker** is a Professor of Mercantile Law at the University of Johannesburg. Louis is a commercial lawyer and an expert in AML/CFT. He holds a doctorate in Corporate Law (The University of the Free State, South Africa) and two master degrees in Company law (one of which was awarded by The University of Cambridge, UK). He is the director of the Centre for the Study for Economic Crime and a director of Cenfri with specific responsibility for research on AML/CFT and the manner in which these affect financial inclusion.

**Hennie Bester** is an independent consultant with Cenfri and an expert in financial sector policy and regulation. This follows 6 years as a Director of Genesis Analytics, and economics consultancy based in Johannesburg, South Africa. He holds an LL. M (University of Cambridge, UK) and an Honours in Economics (University of Stellenbosch, South Africa).

At Genesis, Hennie was the director responsible for the public interest strategy and access to financial services work. This included work on institutional design, investment climate facilitation, market regulation, access to financial services, regional market integration, and economic sector development. Over his period of employment he has worked on several projects relating to the provision of financial services to the poor (covering Botswana, Colombia, Lesotho, Indonesia, India, Kenya, Mexico, Pakistan, South Africa, Swaziland and Uganda).

Prior to joining Genesis as director, Hennie spent 11 years in representative politics, and later as a cabinet member in the Western Cape government (holding positions as MEC for Business Development and Tourism, MEC for Community Safety).

Through the network of the core team, Cenfri has relationships with various entities and individuals across the globe, which could be drawn on to support Cenfri work. These include various international consultants in Botswana, Colombia, Chile, India, Indonesia, Mexico, Namibia, Pakistan, Philippines, South Africa, Tanzania, Uganda and Zambia

Key recent projects undertaken by the core team:

- *AML/CFT and financial inclusion*: Doubell Chamberlain, Louis de Koker and Hennie Bester were at the head of a research team conducting research in Indonesia, Kenya, Mexico, Pakistan and South Africa to develop the principles for implementing AML/CFT regulations in a manner that does not undermine financial inclusion. This project was sponsored by the FIRST Initiative and led by steering committee consisting of CGAP, FinMark Trust, World Bank, IMF and DFID. These principles are likely to shape the nature of implementation and assessment of the FATF principles in developing countries going forward.
- *IAIS micro-insurance principles*: Doubell Chamberlain and Hennie Bester are leading a team of consultants reviewing developing country experience with micro-insurance and micro-insurance regulation in order to develop principles that will guide the regulation of micro-insurance internationally. This will be based on reviews of Colombia, India, Philippines, South Africa and Uganda and will involve visits to all of these countries.
- *SA micro-insurance discussion paper and regulatory framework*: Doubell Chamberlain and Hennie Bester led the team of Genesis consultants who drafted the recently published National Treasury discussion paper on regulating micro-insurance in South Africa. This builds on a number of projects in the area of funeral insurance regulation and intermediation in South Africa.
- *New technologies*: Hennie Bester participated in a CGAP research project on the regulation of new branchless banking and led the country studies for Brazil, Philippines and South Africa.
- *Remittances*: Hennie Bester was responsible for the regulatory analysis of the only comprehensive study of remittances within the SADC region, undertaken by Genesis Analytics for CGAP.

## 7. Target market

The target audience includes:

- Policymakers;
- Regulators;
- Supervisors;
- Academics;
- Consultants; and
- Donor staff.