

CHAPTER 5
Implementation Strategy
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CHAPTER 5

Implementation Strategy

5.1 IMPLEMENTATION APPROACH

[268] It is recognised that this document represents a strategic guideline that will be subject to enhancement, as dictated by changing circumstances. The following considerations need to be taken into account in the implementation:

5.1.1 Realisation of the vision

[269] In an endeavour to resolve the current shortcomings and envisage the ideal NPS for South Africa, the vision of the NPS architecture was set for the year 2004. The vision defines the end state, that is, the situation that should prevail in 2004. This does not imply, however, that the proposals will be implemented only by 2004. Table 6 provides details of the implementation plan.

5.1.2 Phases

[270] A phased and evolutionary approach, rather than a revolutionary 'big bang' approach, will be followed.

[271] Since the operational efficiency of day-to-day business will have to be maintained, the impact of changes on current operations needs to be minimised.

5.1.3 Levels of detail

[272] Further refinement is required in the strategic/business domain. Numerous issues are still outstanding, and some solutions will evolve over time. Some issues requiring refinement will also emanate from the implementation phase. Multidisciplinary teams will play an important role in identifying and solving business issues on a more strategic level.

[273] The emphasis in this implementation plan is on a high-level implementation plan.

5.1.4 Implementation tempo

[274] The central bank settlement system is both the heart of the NPS and the component that requires the most urgent attention. The development of the system will determine the speed with which payment system reforms can be introduced. The ripple effect created thereby will require the enhancement of clearing systems and internal systems in the banks, as well as the systems of the CPSPs and the trading systems in the various markets.

[275] The core infrastructure of the NPS will be put in place as rapidly as possible, and it will be a business decision for the participants in the NPS whether and when they wish to utilise the facilities made available. Where applicable, the implementation plans will be

structured according to critical mass considerations, rather than according to what is possible for the less progressive participants.

5.1.5 Project-planning approach

[276] The implementation will be driven on a project basis, and projects will be agreed upon annually.

5.1.6 Adaptation of current practice

[277] The environment in which the NPS will ultimately function will have to be prepared. The existing environment needs to be adjusted to accommodate the necessary enhancements. These enhancements will range from making the necessary changes in the legal environment, through to marketing the concepts and changing paradigms to ensure appropriate behaviour so as not to constrict the NPS.

[278] The emphasis is on creating the environment required to implement the agreed-upon strategies.

5.1.7 Adaptation of current systems versus building of new systems

[279] In line with the preferred phased approach, the philosophy will be to adapt existing systems where feasible, rather than to adopt a 'clean slate' approach.

[280] Systems nearing the end of their life cycle, or those requiring a major overhaul to fit into the new environment, will be obvious candidates for new development. Any new development should be in line with the NPS framework and strategy. The current investment should, however, be capitalised on if it can be utilised in the new NPS, albeit with minor alterations.

5.1.8 Approach to the implementation of the NPS

[281] An NPS data model and NPS standards will be developed in the initial phase, since it is deemed essential to ensure effective integration and interorganisational communication.

[282] Development and implementation of the NPS will be based on consultation with and consensus amongst the relevant stakeholders. This will be a co-operative endeavour, characterised by joint ventures between various institutions, requiring multidisciplinary and skilled people from many different business areas and organisations.

[283] Effective co-ordination of interorganisational system developments will be a critical success factor in the deployment of the NPS. To this end, structures will have to be created to ensure that all parties, not only banks, are kept fully informed of and involved in the development and implementation plan. The SA Reserve Bank, as neutral agent and overseer of the NPS, will co-ordinate the implementation process. The project structure for implementation is detailed in 5.3.

5.2 SCHEDULE

[284] The following provisional schedule is provided as a basis for discussion and further development of a formal implementation programme for the domestic component of the NPS:

Table 6: Provisional NPS schedule

YEAR	FOCUS/ ACTIONS	DESCRIPTION
Year 1 1996	FOCUS	The focus will be on the establishment and evolution of the payment streams; the refinement of concepts; determining 'how' the concepts should be implemented; and initiating various projects to drive the implementation of the NPS.
	ACTIONS	<ol style="list-style-type: none"> 1. Formally establish PASA, as well as SANPAY. 2. Identify and agree on payment streams; and establish a PSA for each payment stream. 3. Determine the nature and scope of legal changes required; draft amendments or new legislation where applicable; and take action to ensure suitable legal arrangements are made where necessary. 4. Adapt the clearing and settlement arrangements; and make provision for risk-reduction measures. 5. Initiate the establishment of management structures, that is, clarify the role, responsibilities, functions and powers of the key participants. 6. Confirm/authorise the collateralisation policy to be adopted; develop a phased implementation plan; determine the requirements for the safekeeping of collateral pertaining to risk-reduction measures; and consult and harmonise collateral management considerations with developments in other disciplines. 7. Agree on guidelines for risk-reduction measures per payment stream and processing component (for example, determine guidelines for securing the settlement of bilateral and multilateral netting schemes); define risk-monitoring requirements; and introduce exposure-monitoring mechanisms in the SA Reserve Bank, banks and PSAs. 8. Implement an interim electronic settlement-instruction mechanism. 9. Establish settlement accounts for each bank as required. 10. Develop and document a cross-border architecture. 11. Refine the NPS architecture, that is, technological, applications and data architecture, to implement business processes. 12. Develop a prototype of the domestic settlement system and interbank settlement network; and provide the business specification for linking systems to the settlement system. 13. Initiate data-related projects, including establishment of an NPS data model, identification of standards and unique identification. 14. Devise a strategy to adapt current practices, including the phasing in of intraday settlement and the development of a settlement schedule that harmonises with international schedules and facilitates domestic same-day settlement. 15. Initiate a project to address the NPS's impact and influence on market practices and <i>vice versa</i>, including immobilisation and dematerialisation issues.

YEAR	FOCUS/ ACTIONS	DESCRIPTION
Year 2 1997	FOCUS	The focus will be on operational positioning - that is, adapting current systems, procedures and practices to the new environment. It will also include obtaining sufficient clarity on legal matters in order to proceed.
	ACTIONS	<ol style="list-style-type: none"> 1. Analyse risk and exposure profiles. 2. Obtain authority for and initiate the implementation of collateral management proposals. 3. Obtain parliamentary approval for the introduction of the NPS Act and amendments to the SARB Act. 4. Publish an NPS architecture, incorporating the cross-border, technological, applications and data issues. 5. Develop a strategy for international marketing of the NPS and an implementation plan. 6. Review development of market practices and harmonise market developments with NPS practices.
Year 3 1998	FOCUS	The focus will be on settlement - that is, delivering the settlement system and the introduction of same-day settlement.
	ACTIONS	<ol style="list-style-type: none"> 1. Complete the introduction of collateral management arrangements as per the implementation plan. 2. Implement the domestic settlement system and the interbank settlement network. 3. Introduce agreed-upon risk-reduction measures in all payment streams (at least initial measures if the measures are to be phased in over a period of time). 4. Monitor market developments in terms of the NPS. 5. Complete the implementation of initiatives to educate the public regarding NPS issues. 6. Complete the implementation of initiatives to market the NPS internationally.

5.3 IMPLEMENTATION STRUCTURES AND RESPONSIBILITIES

[285] Implementation responsibilities are broadly allocated to the following players:

- The SA Reserve Bank will be responsible for the overall co-ordination of the NPS implementation project, in order to ensure that the multitude of diverse⁷¹ activities culminate in the successful implementation of the envisaged NPS to the benefit of all parties concerned.
- The SA Reserve Bank will furthermore be responsible for the provision of the settlement system.
- The individual banks will be responsible for enhancements to current systems and the development of new systems to enable them to access the interbank clearing and settlement processes.
- In addition, the banks, as members of the PSAs, will jointly accept responsibility for ensuring that suitable clearing facilities are established.
- The CPSPs, under the auspices of the PSAs and as agents of banks, will provide access to the NPS.

71. Diverse in terms of the NPS's multidisciplinary nature covering, *inter alia*, monetary-policy, risk, legal, cross-border, market and technological issues.