

## **VISION 2010 - LAUNCH**

Ladies and gentlemen .....

In 1995 the South African National Payment System (NPS) Framework and Strategy document ("The Blue Book") was published. This document was the end result of much discussion and consultation between the Reserve Bank, the Banking Industry and other major stakeholders in the NPS. The document contained the principles, critical success factors and strategies required to reduce the risk in, and achieve a modern world class NPS in South Africa over a ten year period.

All the strategies identified in the Blue Book have been achieved and major milestones include, among others, the following:

- In March 1998 the South African Multiple Option Settlement (SAMOS) system was introduced. This real-time gross inter-bank settlement system provides the banks with multiple settlement options, including liquidity-optimising functions. The SAMOS system also caters for the settlement of financial market transactions emanating in the bond and equity markets to achieve delivery-versus-payment (DVP).
- The NPS Act ("the Act") was promulgated in October 1998. The Act enhanced the regulatory and supervisory powers of the Bank to manage and control payment system risks and provided a sound legal foundation for the NPS. Further major developments required a revised NPS Act which was promulgated in October 2004. The objectives of the amendments were mainly to further enhance the regulatory and supervisory powers of the Reserve Bank and to address the inclusion of the Rand currency in the Continuous Linked Settlement (CLS) system.
- During the period 2001 to 2004 risk reduction measures were implemented to reduce the values processed in the retail payment streams, including the implementation of item limits. In this period new Payment Clearing House (PCH) agreements were concluded between participants to further strengthen the legal foundation and same-day settlement and same-day square-off were introduced.
- On an international level the Rand was officially accepted as a Continuous Linked Settlement (CLS) currency in December 2004. The objective of CLS is to reduce foreign exchange settlement risk. This is achieved by the synchronisation of the settlement of the two legs (Payment-versus-Payment (PvP)) of a foreign exchange transaction in a single time-zone within CLS Bank, in Central European Time (CET). CLS results in liquidity and efficiency benefits for the country. As an additional benefit, the status of the Rand was greatly enhanced, as one of only 15 CLS settlement currencies in the world.
- On a regional level South Africa has continued to play a major role in assisting the SADC region to successfully develop national payment systems including the implementation of automated clearing and electronic, mostly RTGS, settlement systems.

**The NPS is a dynamic environment and new challenges are now facing the NPS which requires new strategic direction.** Major challenges and objectives for the years up to 2010 are to:

- Increase the accessibility of the payment system by, *inter alia*, new types of participants, and simultaneously to enhance and maintain the safety of the payment system by adhering to sound payment system risk principles.
- Address the payment needs of the un-banked community.
- Enhance the structures for consultation and transparency in the payment system. Non-banks also participate in the payment system. Consultation with these institutions and other relevant payment system stakeholders is paramount to maintain the safety and efficiency of the payment system, and to increase accessibility.
- Enhance general security and operational resilience in the payment system. Enhanced operational resilience and security standards will increase trust, integrity and confidence in the payment system.
- Increase general awareness of the features of the payment system through education, information provision and research.
- Research international payment system developments and participate in international payment system forums/initiatives. It is critical for South Africa to stay abreast of international payment system developments, including emerging payment system technologies and standards.
- Continue participation in the SADC cross-border payment, clearing and settlement systems initiatives. These developments will enhance regional financial stability and promote economic development.

As new and complex challenges are facing the NPS stakeholders, the purpose of the Vision 2010 document is to provide high-level strategic guidance for the payment system up to 2010. The document contains the high-level strategic objectives, the strategies, fundamental principles, critical success factors and roles and responsibilities to address these challenges and, in so doing, to maintain a world-class payment system and to meet domestic and regional payment system requirements.

The main themes in the Vision 2010 document are:

- Access to the payment system;
- Oversight of the payment system;
- Standards in the payment system;

- Information and communications technology (ICT) developments;
- Information, education and research; and
- Cross-border developments.

The successful implementation of the objectives and strategies will depend on intensive discussions and co-operation between all payment system stakeholders.

We thank all the parties that contributed to this vision document. We trust that this document will further enhance the standing of the SA NPS as one of the top rated payment systems in the global payment system environment.