SOUTH AFRICAN RESERVE BANK

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Common Monetary Area countries move to regularise electronic funds transfer payments

As of 30 September 2024, low-value electronic funds transfers (EFTs), debit and credit payments made between Common Monetary Area (CMA) countries, namely Eswatini, Lesotho, Namibia and South Africa, will be treated as cross-border transactions and subject to greater due diligence requirements.

Previously, these low-value retail payments were treated as domestic payments, with the four CMA countries and their participating banks processing the transactions via South Africa's domestic retail payment system. This provided a low-cost, effective and efficient payment service to their clients.

However, to enhance compliance with international standards, our payment system and processes must be regularised. Doing so will, along with other benefits, prevent criminals from having easy access to EFT payments to launder funds and ensure this misuse can be identified more effectively when it occurs.

This step also forms part of South Africa's efforts to address several recommendations made by the Financial Action Task Force (FATF) to strengthen our anti-money laundering, countering the financing of terrorism and combating proliferation financing (AML/CFT/CPF) regime.

Regularising these low-value retail payments will help us to achieve our goal of exiting the FATF greylist by January 2025.

Banks operating in the CMA have elected to process these low-value retail payments using the regional payments infrastructure (i.e. the Southern African Development Community real-time gross settlement (SADC-RTGS) system) primarily used for high-value payments.

The changes will also include a new approach to the treatment of debit orders. From 30 September 2024, financial institutions will no longer be able to debit account holders in other CMA countries as if they were a domestic customer or policy holder. Debit orders collected from customers' accounts within the CMA countries will have to be initiated from an account domiciled in the respective CMA country. These measures will provide customers with greater protection as domestic central banks and conduct authorities will have in-country recourse against any unscrupulous debit order practices.

The South African Reserve Bank (SARB) and its National Payment System Department are cognisant that these changes will have an impact on certain customers' banking experience, potentially impacting the processing time as well as the cost of these transactions.

The SARB and the CMA Cross-border Payments Oversight Committee (CPOC), a structure established by CMA central bank governors to oversee and coordinate various cross-border payment initiatives, are working to ensure that retail customers and businesses are not adversely affected by these regulatory changes.

The CMA CPOC will shortly be issuing a position paper on the treatment of all cross-border low-value retail payments within the CMA. This position paper will provide further guidance on the transition and the way forward.

Our responsibility to regularise the execution of cross-border payments within the CMA will be balanced with the commitment to ensuring that the impact of the change on consumers and businesses is well managed and that they can continue to enjoy the low-cost, effective and efficient payment services that they have benefited from over the years.

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