



SOUTH AFRICAN RESERVE BANK

National Payment System Department

**STARTER PACK
FOR PARTICIPATION WITHIN THE
NATIONAL PAYMENT SYSTEM (NPS)
IN SOUTH AFRICA**

Document History

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INTRODUCTION

1. Purpose

The purpose of this document is to provide the reader with a short background of the South African (SA) National Payment System (NPS), and as guidance to a prospective NPS participant. Prospective NPS participants include non-clearing banks, clearing banks, settlement banks, designated clearing system participants, payment clearing house system operators, system operators and third-party payment service providers.

2. Background of South African National Payment System

In the late 1980s, the risks emanating from the settlement of payment-related activities increasingly became of particular concern to the central bank. The Bank for International Settlements (BIS)¹ gave this issue further prominence when it started publishing reports highlighting the risks associated with the payment system. These reports focused on the discomfort of central banks with the level of credit and liquidity risks to which participants in the payment system were exposed. Consequently, the Committee on Payment and Settlement Systems (CPSS)² at the BIS was established. It has become a trend, especially among the central bank fraternity, for regular attention to be paid to payment systems. This is part of the contribution that central banks make to overall financial system stability.

South Africa embarked on a process of payment system reform and development in the early 1990s. The initial work resulted in the development of the South African National Payment System Framework and Strategy Document (the so-called Blue Book) which was first published by the South African Reserve Bank (SARB) in 1993. This document was reviewed and published in 2006 as Vision 2010, and outlines, inter alia, access to the National Payment System (NPS).

¹ The BIS is an international organisation that promotes international monetary and financial co-operation and performs the function of a bank for central banks. For more information on the BIS, go to: www.bis.org.

² The CPSS endeavours to strengthen the international financial market infrastructure through promoting sound and efficient payment and settlement systems. For more information on the CPSS, go to: www.bis.org>Monetary and Financial Stability>Committee on Payment and Settlement Systems.

³ Refer to the NPS Framework & Strategy First Edition NPS 1995 to 2005

2.1. What is the National Payment System (NPS)?

South Africans use various payment instruments to initiate the transfer of funds from one party to another. These payment instruments include cash, debit and credit cards, and mechanisms to trigger electronic funds transfers (EFTs). Non-cash payment instruments facilitate the movement of a claim on a financial institution such as a bank of the payer to the bank of the beneficiary. Financial institutions involved need arrangements to transfer such claims in the form of funds among themselves, either on their own behalf or on behalf of their customers. The NPS thus refers to a set of instruments, procedures and rules that allow consumers, businesses and other organisations to transfer funds, usually held in an account at a financial institution to one another. The South African legal framework empowers the SARB to oversee the NPS with the objective of ensuring its safety and efficiency.

3. Access to the National Payment System (NPS)⁴

The term 'access to the payment system' refers to both access to payment system services for the public as well as access to participation in the system for entities providing payment services. These parties have different requirements for accessing the payment system. Some need to access the payment system as end-users for transacting purposes, while others need access to the payment system to provide payment services to end-users.

The services that the role-players provide in the payment system include the issuance of payment instruments, processing of payment-related instructions, provision of payment services to third parties, payment clearing and settlement. These services comprise a business process element and use of the payment system infrastructure. The business process element ensures that payment instruments are effective in supporting the circulation of money in the economy. The payment system infrastructure refers to information and communication technology (ICT) products, services and components.

The public (including the corporate sector) has access to approved payment services through many payment instruments and the appropriate infrastructure. All of these businesses have established electronic links with their bankers to enable them to issue electronic payment instructions that can be executed without human intervention.

⁴ Refer to the Framework & Strategy Vision 2010, Sections 2 and 5.

One of the strategic objectives outlined in the Vision 2025⁵ document is to increase the accessibility of the payment system by providing for new types of participants, while maintaining the safety and efficiency of the system.

4. The Payment System Environment

The following diagram (Figure 1⁶) outlines the payment system environment and the layers of access to the system.

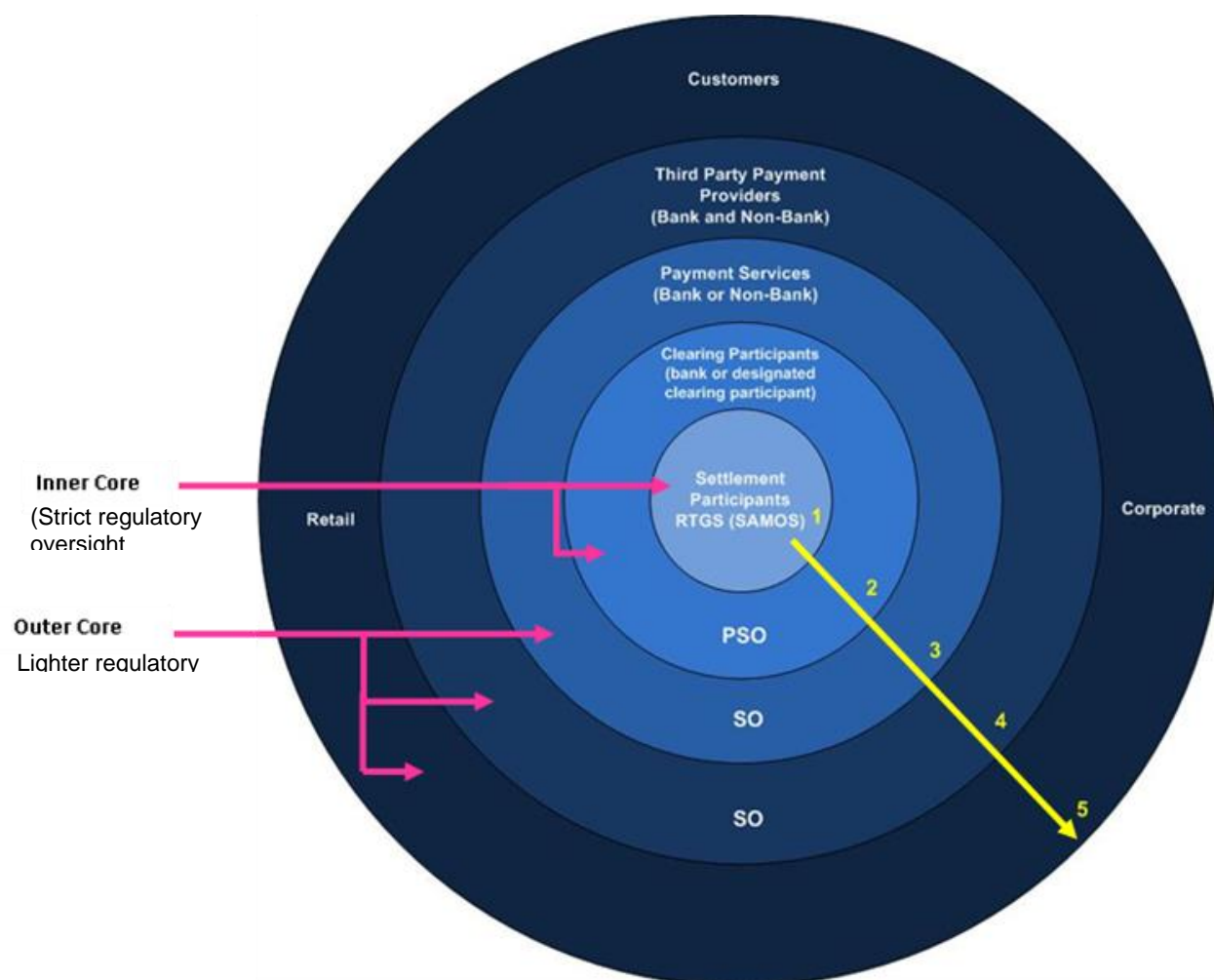


Figure 1: Layers of service provision in the payment system

In the centre of the diagram the settlement and clearing environment of the payment system is depicted as the inner core. This environment is well organised and regulated. Only registered clearing and settlement banks are allowed to participate in this domain.

The layers outside this environment are made up of all the other role-players within the payment system that are not clearing or settlement banks. The outer core is also regulated

⁵ All the NPS Framework and Strategy vision documents are accessible on the SARB website <https://www.resbank.co.za>

⁶ Source: www.pasa.org.za/national-payment-system/key-role-players

by the SARB's National Payment System Department (NPSD), but the farther the layer is from the centre, the lighter the regulation by the NPSD. It is important to note that these entities are subject to regulation by other regulatory bodies, such as the National Credit Regulator (NCR). The NPSD may increase the regulation of these role-players at any time.

Figure 2 depicts a high-level view of the payment system network. The various players in the payment system as detailed in sections A to F of this document are shown in brackets.

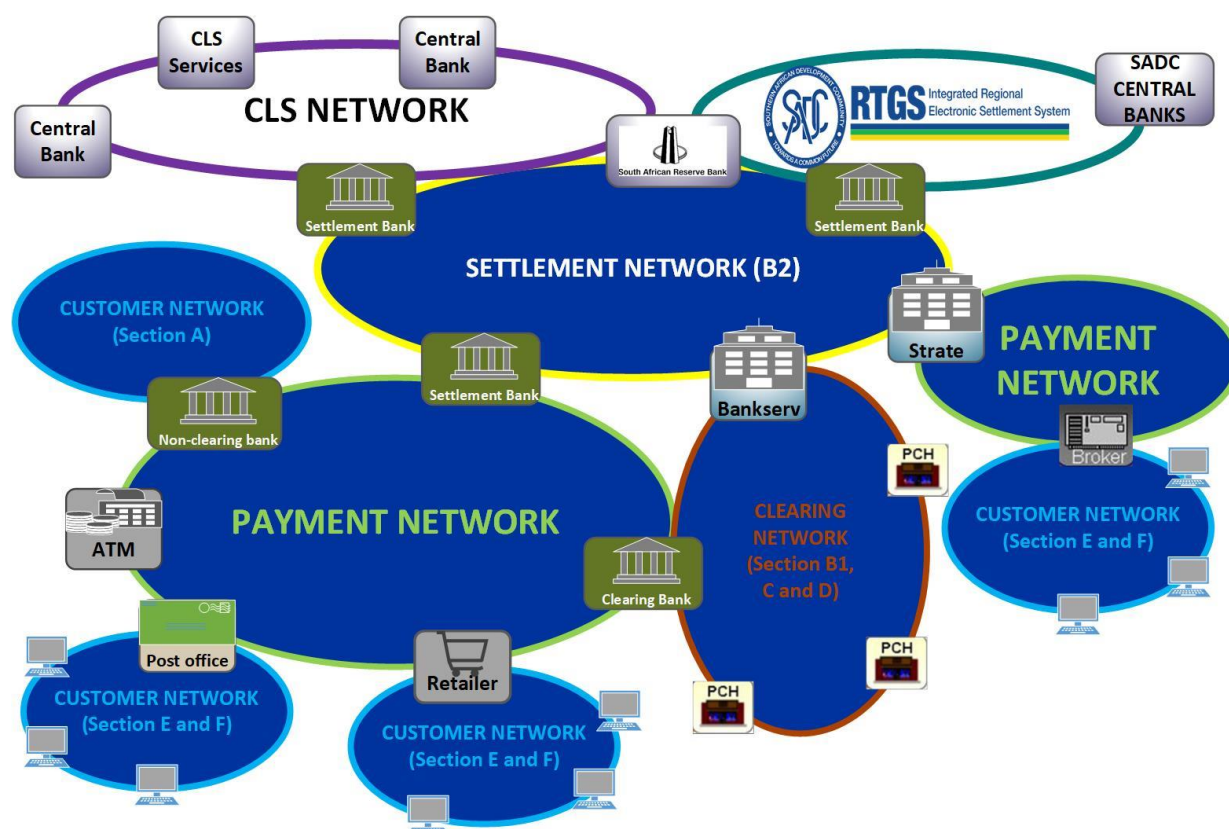


Figure 2: Payment Systems Network

The payment network can be described as the systems and communication mechanisms put in place by commercial banks to provide their customers with the facilities and channels to effect payment. These networks include the bank-owned automated teller machines (ATMs), Internet banking facilities, branch networks and payment instruments.

The South African National Payment System Framework and Strategy document – 1995 defined ‘clearing’ as “*the physical exchange of payment instructions between the payer’s bank and the payee’s bank (or their agents)*”. Traditionally, only banks were allowed to participate in the clearing network. As the payment system evolved and became more sophisticated, more non-banks began to participate in the payment system and the SARB

decided to re-evaluate participation criteria in the clearing environment. Recent changes to the NPS Act allow the SARB to designate non-bank participants to clear in their own name in the clearing network. Settlement continues to be the exclusive domain of the settlement system participant banks.

A PCH is a bilateral, legally binding, arrangement entered into by two or more clearing participants, excluding a designated settlement system operator, governing the clearing of payment instructions to be settled by the SARB's settlement system participants. Also participating in the clearing domain is the payment clearing house system operators (PSOs). A 'PCH system operator' is defined in the NPS Act as *a person, other than a designated settlement system operator, that clears on behalf of any two or more Reserve Bank settlement system participants*. Payment instructions are sent to the PSO through the various payment networks. It is at the PSO that the actual clearing takes place. The clearing process includes sorting the instructions and determining the settlement obligations of the participants. These obligations are then submitted to the SARB operated South African Multiple Option Settlement (SAMOS) system for settlement.

The PSO that is responsible for the settlement of securities determines the interbank payment obligations arising in the equity and bond markets, which are then settled at SAMOS.

The core of the South African settlement system is the SAMOS system, which is owned and operated by the SARB. The SAMOS system was introduced on 9 March 1998. SAMOS brought domestic interbank settlement practices in line with international best practice and signalled the start of a new era for payment practices in South Africa. Each settlement system participant has an account at the SARB from which interbank settlement obligations are settled. Furthermore, the settlement system participants need to lodge collateral at the SARB, to provide sufficient liquidity and to ensure the smooth functioning of the settlement system. The settlement network provides for settlement participants to settle their interbank obligations finally and irrevocably.

On the highest level of the networks, the link between the domestic and international payment system networks is shown as follows:

This is the link between the CLS⁷ system and the SAMOS system and was implemented to reduce the settlement risk associated with foreign-exchange transactions. The settlement of

⁷ CLS Bank operates the largest multi-currency cash settlement system, eliminating settlement risk for over half the world's foreign exchange payment instructions. For more information go to www.cls-group.com

foreign-exchange transactions between South African rand and that of other foreign currencies settled in the CLS system takes place within this environment. CLS settles both legs of the foreign-exchange transaction simultaneously.

- a. The other link is between the SAMOS system and SADC-RTGS system. The SADC-RTGS (formerly known as SIRESS) is the regional cross-border real-time gross settlement (RTGS) system in the Southern African Development Community (SADC) region. It is an automated interbank settlement system operated by the South African Reserve Bank, as appointed by the SADC participating member central banks. The system is owned by SADC central banks through the Committee of Central Bank Governors (CCBG). The system has been in operation since July 2013, and it settles payment obligations between participating banks on either real-time or delayed basis. The current system settles payments denoted in ZAR (South African rand). Participants include central banks and financial institutions that are authorised by the central bank in their country of origin to participate in that country's settlement system.⁸

5. Regulatory Structure

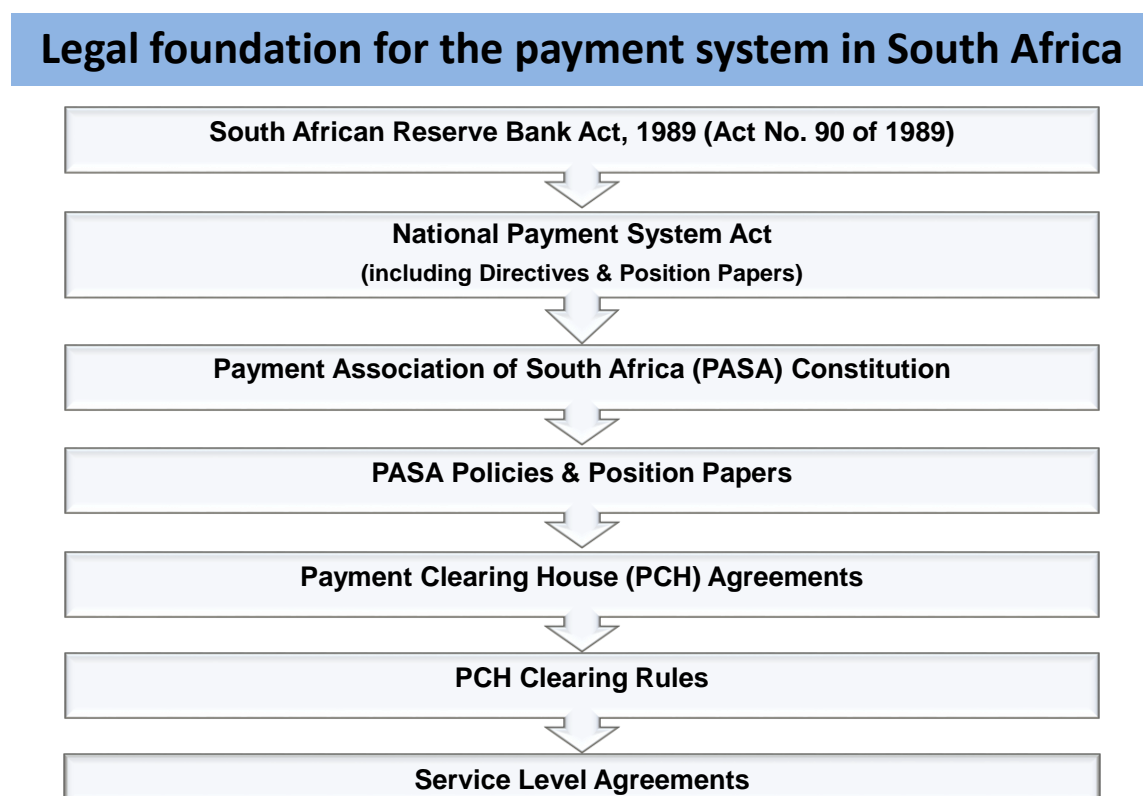


Figure 3: Legal foundation of South African payment system

⁸ Extract from the SARB website: <https://www.resbank.co.za/what-we-do/payments-and-settlements/SADC-RTGS>

5.1. South African Reserve Bank Act⁹ and National Payment System Act¹⁰

Section 10 (1) (c) (i) of the South African Reserve Bank Act empowers the SARB to oversee and regulate the NPS. The National Payment System Act, 1998 (Act No. 78 of 1998 as amended) provides for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in the Republic of South Africa; and to provide for connected matters.

5.2. Prudential Authority Department

The Prudential Authority (PA) was established from the Financial Services Board Insurance Prudential team, the Bank Supervision Department of the SARB and the Supervisory Team of the Cooperative Banks Development Agency. It was officially established on 1 April 2018, in terms of the Financial Sector Regulation Act 9 of 2017 (FSRA) which introduces the Twin Peaks approach to financial regulation.

One of the SARB's responsibility is bank regulation and supervision in South Africa. The purpose is to achieve a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole.¹¹ The PA fulfil this responsibility by issuing banking licences to banking institutions, and monitoring their activities in terms of either the Banks Act (No. 94 of 1990), or the Mutual Banks Act (No. 124 of 1993) and the regulations relating thereto. In this regard, they will also consider risks emanating from participation in the payment system, *inter alia*, credit, liquidity and operational risk.

5.3. National Payment System Department

The National Payment System Department (NPSD) within the SARB is the overseer and regulator of the NPS. In this role, the department performs; *inter alia*, research and monitoring of developments in the payment system, development of the NPS legal framework and the development of NPS policy. Regulation is effected according to the NPS Act and through the issuance of directives and position papers. In terms of the NPS Act, the SARB's NPSD grants recognition to a payment system management body (PSMB) that will manage and regulate participation of its members in the clearing and settlement system.

⁹ The SARB Act is accessible under the SARB website at www.resbank.co.za/about-us/SARB-core-legislation

¹⁰ The NPS Act is accessible under the SARB website at www.resbank.co.za/what-we-do/payments-and-settlements/

¹¹ Extracts from the SARB 2017/18 Annual Report [https:// www.resbank.co.za/publications/reports/annual-reports/2018/](https://www.resbank.co.za/publications/reports/annual-reports/2018/)

5.4. Payment System Management Body (PSMB)

The main aim of a payment system management body (PSMB) is to organise, manage and regulate participation of its members in the clearing and settlement system. The PSMB that is currently recognised by the SARB as the Payment Association of South Africa (PASA)¹². There are rules in place that govern the conduct of PASA members. Prior to admission of a participant to the clearing and settlement environment, such participant must be accepted as a member of PASA and also sign the various agreements relating to PCHs in which it will participate.

5.5. Directives and Position papers

In terms of section 12 of the NPS Act, the SARB may, from time to time, after consultation with the PSMB, issue directives¹³ to any person regarding the payment system or the applications of provisions of the NPS Act. These directives shall be issued by the SARB to stakeholders in the NPS in order to achieve its objective of maintaining the safety and efficiency of the payment system.

Position papers are published by the SARB in order to state the SARB's position in respect of specific payment system issues. These documents normally contain approaches, procedures and policy matters that are applicable at a particular time.

5.6. Service Level Agreements

The participation of PASA members and the PSO in SAMOS is further managed through adherence to service level agreements (SLA). Participating banks within the settlement environment are managed through the adherence to the SAMOS service agreement and the settlement agreement:

5.6.1. Settlement Agreement

All settlement participants in the SAMOS system must enter into the Settlement Agreement. The Settlement Agreement governs the settlement of payment obligations, arising from clearing in the different PCHs, between the settlement participants and binds each party to the other parties upon the terms and conditions contained in the Settlement Agreement and the schedules thereto.

¹² More information about PASA is accessible under their website at www.pasa.org.za

¹³ Directive for conduct within the NPS are accessible under the SARB website at www.resbank.co.za

5.6.2. SAMOS Service Agreement

The SAMOS Service Agreement governs the provision of payment settlement services by the SARB to the participant. The participant must enter into the service agreement with the SARB prior to going live in the SAMOS system.

Included in the SAMOS service agreement is the function of the central bank to provide the participant access to the automatic intraday loan facility of SAMOS against the cession of eligible securities as collateral.

6. Participation by banks in the National Payment System (NPS)

The SARB published position paper 01/2007: Bank Models in the NPS¹⁴, which outlines various categories of banks, ways in which they may participate in the payment system and growth paths they may elect to follow.

7. Payment flows in the payment system

The following diagrams depicts the payment concepts within the payment system.

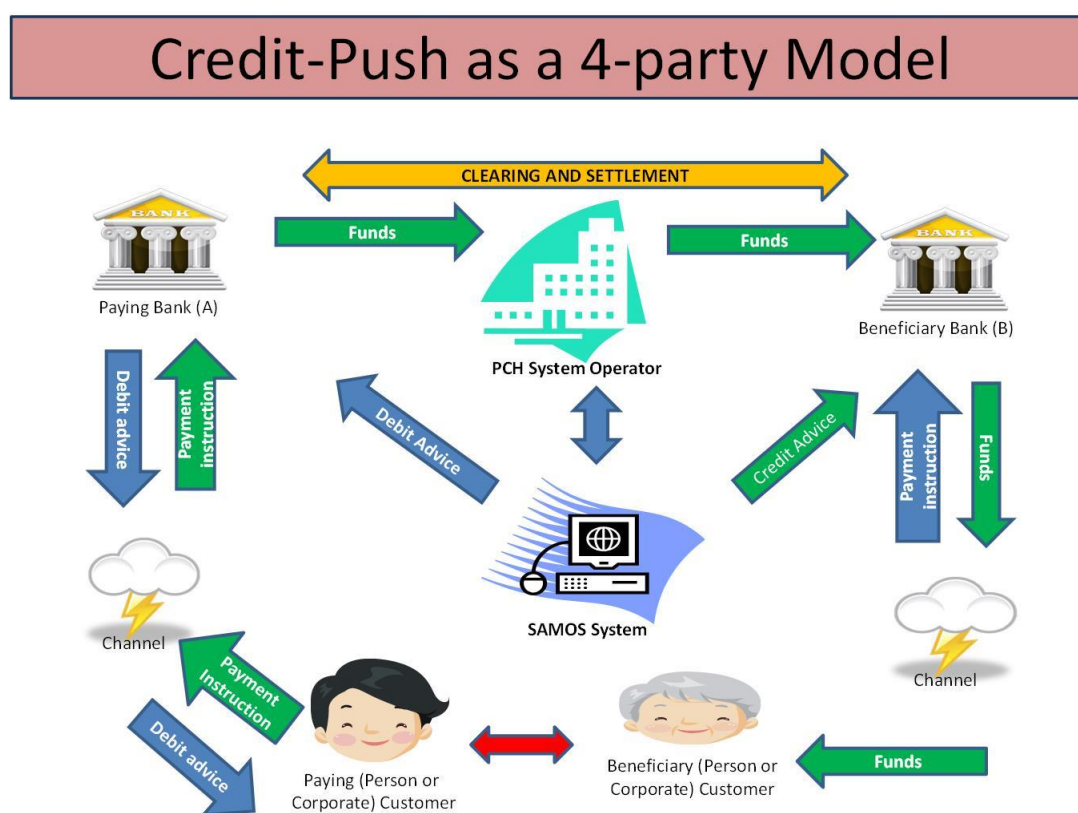


Figure 4: Credit-Push as a 4-party Model

¹⁴ Position papers are accessible under the SARB website at www.resbank.co.za

Credit-Push as a 4-party Model

The credit-push concept of payment is a practice whereby the payer initiates the transfer of funds to the beneficiary. These payment instructions are done electronically whereby the beneficiary doesn't have to request their bank to collect the funds from the payer. Payment streams that forms part of the credit push are EFT Credit, Real-Time Clearing (RTC) and high value payments (immediate settlements). Transactions are irrevocable except where fraud is involved. A typical national payment system Credit-Push transaction flow includes the following institutions and infrastructure, i.e. 4 Party models.

For an example if an employee have a bank account with Bank B, the employer will now have an opportunity to pay the employee in monetary terms by paying the salary via direct deposit, the payment instruction (the messaging) will be going to Bank B from the employer's bank (Bank A) via the PCH System Operator, who clears the transactions before they are settled in the SAMOS system.

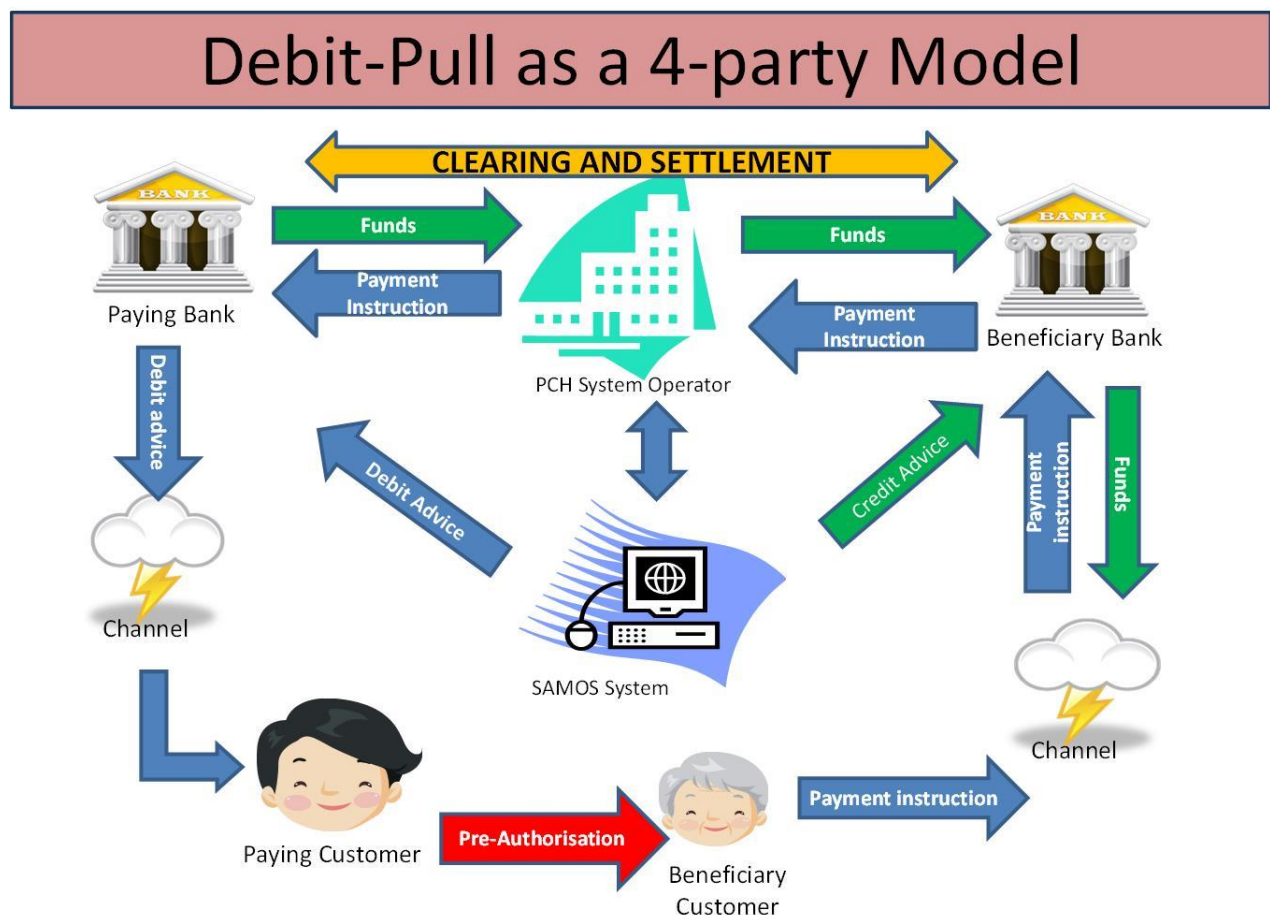


Figure 5: Debit-Pull as a 4-party Model

Debit-Pull as a 4-party Model

The debit pull concept of payment is a practice that requires the beneficiary or the beneficiary's bank to collect funds from the payer's bank; this effectively requires the collecting bank to "pull" the funds through the payment system. This debiting of the payer's account is done on pre-authorisation by the payer. Transactions may be reversed if transactions were not processed on instruction of the payer.

Examples of debit pull payment streams are EFT Debit, Authenticated early debit orders (AEDO), Card (Debit, Credit, Cheque, and garage cards), cash withdrawals at ATMs and Self-Service Devices (SSDs). A typical national payment system Debit-Pull transactions flow includes the following institutions and infrastructure, in Debit-Pull the beneficiary always initiates the payment i.e. 4 Party model:

SECTION A: NON-CLEARING BANK

As documented in the *Bank Models in the National Payment System Position Paper* number 01/2007, from a payments perspective, banks can be divided into two categories, namely (1) clearing banks (a bank that is permitted to clear in its own name) and (2) non-clearing banks.

1. Information regarding non-clearing banks

1.1. They are regulated by the Registrar of Banks.

1.2. They are not a settlement system participant as defined in the NPS Act and therefore may not enjoy membership of PASA.

2. Steps to becoming a non-clearing bank

Participants must register to be a recognised bank within the Republic of South Africa.

Description	Reference / Contact
Apply to the Registrar of Banks for authorisation to establish a bank, as contemplated by the provisions of section 12 of the Banks Act, 1990 (Act No. 94 of 1990), read with the regulations relating to banks ¹⁵ .	www.reservebank.co.za >Prudential Authority Tel: +27 12 313 3911 Email: PA-Info@resbank.co.za

¹⁵ Applications are to be brought independent from the Office of the Registrar of Banks to avoid conflict of interest. It is therefore recommendable that interested parties consult with the auditing and/or legal fraternity for reference and contact as they deem fit, prior to submitting an application for the establishment of a bank.

SECTION B: CLEARING BANK AND BECOMING A SAMOS PARTICIPANT

The *Bank Models in the National Payment System Position Paper* number 01/2007 provides details of subcategories within which a clearing bank could operate.

Prior to starting the process of becoming a clearing bank, interested parties must be sure of what services they want to offer, as that will dictate the PCH Agreements to which they must belong. The type of category the bank falls into will directly establish what PCH Agreements they may join.

1. Categories of clearing banks

1.1. Direct clearing (DC)

A bank that provides all or some of the payment services, as defined in *Bank Models in the National Payment System Position Paper* number 01/2007, and which participates in the respective PCHs in its own right.

1.2. Sponsored clearing (SC)

A bank that, in a specific PCH, provides some of the payment services by virtue of an agreement with a direct clearing bank, in terms of which the agreement with the sponsored clearing bank's settlement obligation within the PCH is fulfilled by the sponsoring bank on behalf of the sponsored clearing bank.

1.3. Mentored clearing (MC)

An entrant bank into a particular PCH will participate as a direct clearer, but will have a contractual arrangement with another direct clearing bank for purposes of guidance, reference and contact when problems are experienced and/or skills that are not available within the entrant bank are required.

1.4. Agency clearing (AC)

Only a direct clearer may conclude an agency arrangement with any other clearing bank in order to provide clearing services to the clients of the other bank via the practice of credit transfers. Facilities are then offered to other clearing banks in order to allow clients of such other clearing banks to make deposits with such banks and to transfer the funds so deposited to the clients' banks. This service must be covered by a specific PCH Agreement approved by PASA.

1.5. Technical outsourcing (TO)

Any bank can provide operational facilities to process payments or manage settlements for another participant bank in any PCH (or all PCHs) within any payment stream, or in

all payment streams. The participating bank, however, remains the principal for all clearing and settlement agreements into which it enters.

Prior to a participant becoming a clearing bank, it must first register to be a recognised bank within South Africa.

Description	Reference / Contact
Apply to the Registrar of Banks for authorisation to establish a bank, as contemplated by the provisions of section 12 of the Banks Act, 1990 (Act No. 94 of 1990), read with the regulations relating to banks ¹⁶ .	www.reservebank.co.za >Prudential Authority Tel: +27 12 313 3911 Email: PA-Info@resbank.co.za

Should a non-clearing bank wish to become a clearing bank, it needs to complete the steps outlined below.

2. Steps to becoming a clearing bank (non-SAMOS participant)

No.	Description	Reference / Contact
1.	Apply to become a member of PASA in terms of the NPS Act. <ul style="list-style-type: none"> Provisional membership will be awarded initially where after full membership will be granted should all the criteria be met. 	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100
2.	Apply for membership to the applicable PCHs, depending on the business model.	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100

¹⁶ Applications are to be brought independent from the Office of the Registrar of Banks to avoid conflict of interest. It is therefore recommendable that interested parties consult with the auditing and/or legal fraternity for Reference and Contact as they deem fit, prior to submitting an application for the establishment of a bank.

No.	Description	Reference / Contact
3.	Once provisional PASA membership has been obtained approach other participants regarding trading with them in the various PCHs.	
4.	<p>Sign service level agreements (SLAs) with all the relevant PCH System Operators (BankservAfrica, Visa, MasterCard and Strate, etc).</p> <ul style="list-style-type: none"> Once full PASA membership has been granted, PASA will arrange for the signing of the relevant PCH and PCH system operator/s agreements. All the requirements stipulated therein are legally binding 	<p>www.pasa.org.za</p> <p>> About Us</p> <p>> PASA Contact Information</p> <p>pasa@pasa.org.za</p> <p>010 140 7100</p>
5.	Sign PCH (bilateral) agreements with all the participants in the applicable PCHs.	<p>www.pasa.org.za</p> <p>> About Us</p> <p>> PASA Contact Information</p> <p>pasa@pasa.org.za</p> <p>010 140 7100</p>
6.	Inform the SARB's Bank Supervision department of participation in the various categories of clearing and any agency, sponsorship and/or mentorship arrangements.	<p>www.reservebank.co.za</p> <p>> Prudential Authority</p> <p>Tel: +27 12 313 3911</p> <p>Email: PA-Info@resbank.co.za</p>

Should a clearing bank wish to become a SAMOS participant (settlement bank) they need to complete the steps outlined below.

3. Participation in the SAMOS System

3.1. Requirements to be a SAMOS Settlement bank

Participation in the SAMOS system is open to all registered banks and mutual banks that meet its eligibility criteria. Requirements to be a live participant are as follows:

- South African Banking License.
- Valid SWIFT BIC and be a member of all SAMOS related swift services.

- c. PASA full membership
- d. Completed all system testing requirements and certified by SAMOS and PASA
- e. All parties have signed relevant service agreements including the SAMEXWeb Security Practice Statement compliance agreement.

3.2. SAMOS Interfaces

In line with international best practise and the NPS Act, the Reserve Bank provides an RTGS system to facilitate final and irrevocable settlement in central bank money. For this purpose, the following information technology infrastructure components have been established by the Reserve Bank:

- a. The RTGS system, known as the South African Multiple Option Settlement (SAMOS) system; and
- b. The interfaces through which settlement instructions and related messages can be exchanged between the Reserve Bank and participants.

This section must be read in full under Position Paper on the Interbank Settlement Application Interfaces (Position Paper 01 of 2014)¹⁷. It describes the architectural design of the components of the RTGS system and its interfaces. The following types of participation exists in the SAMOS system as illustrated by the diagram below:

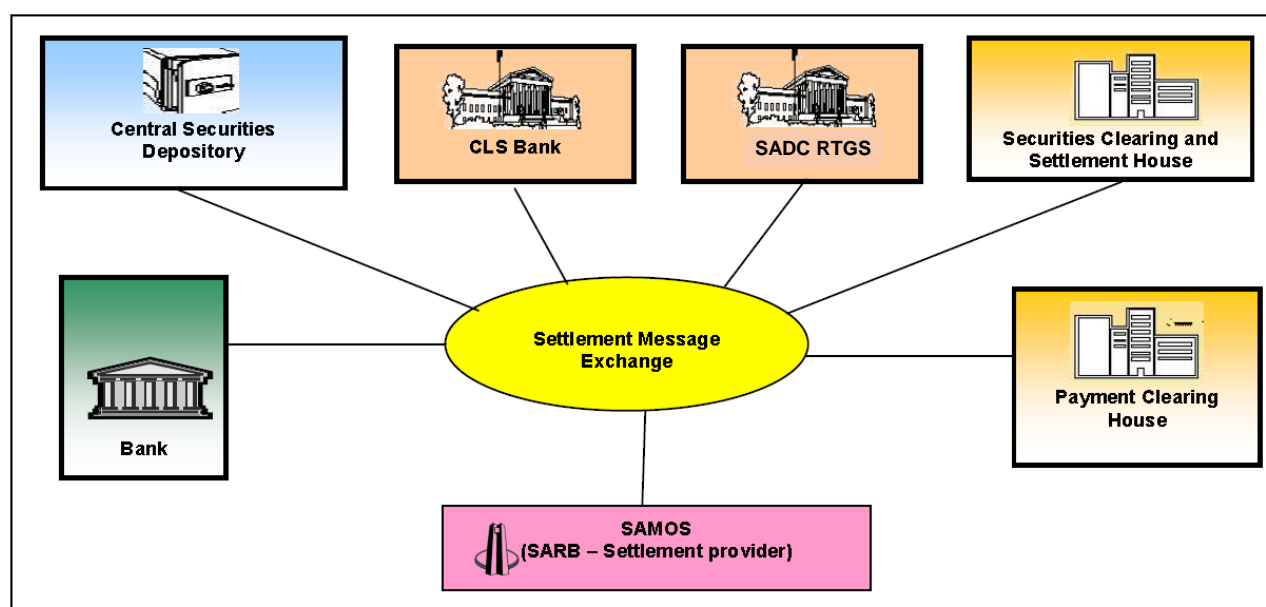


Figure 4: Existing participation in the SAMOS System

¹⁷ Position Paper 01 of 2014 is accessible under the SARB website at www.resbank.co.za/Publications/Papers/position-papers

The settlement message exchange mechanism that is currently available to SAMOS is the SWIFT message carrier. Although the SARB provides a SAMOS front-end system called SAMEXWeb, it is the responsibility of the participant to procure appropriate infrastructure to ensure connectivity to the SWIFT is achieved timeously to enable settlement.

Though the SAMEXWeb application does have the capability to generate SWIFT Fincopy messages including customer payments, participants must ensure that necessary procedures have been put in place to ensure correct message formats are dispatched to the SAMOS system to avoid penalties (SAMOS Charges structure¹⁸ refers)¹⁹.

3.3. Steps to becoming a direct SAMOS participant

Direct participation in SAMOS requires investment in technical infrastructure, staff complement and management. Therefore, it is important to advise of the following:

- a. if an external party is appointed to co-ordinate the SAMOS application process.
- b. If an external party is appointed to manage the submission of instructions to the SAMOS system on behalf of the participant.

The following steps are considered in the take-on process of a potential SAMOS participant:

No.	Description	Reference / Contact
1.	Advise the Prudential Authority department of the intention to participate in the SAMOS environment. Commence with the application of the banking license if not yet obtained.	www.reservebank.co.za >Prudential Authority P O Box 8432 Pretoria 0001 Tel: +27 12 313 3911 Email: PA-Info@resbank.co.za
2.	Apply for PASA membership	www.pasa.org.za pasa@pasa.org.za

¹⁸ The SAMOS Charges Structure is accessible under the SARB website at [www.reservebank.co.za/Domestic Settlement Services](http://www.reservebank.co.za/Domestic%20Settlement%20Services)
([resbank.co.za](http://www.reservebank.co.za))
s

No.	Description	Reference / Contact
		010 140 7100
3.	<p>Apply for SWIFT membership. Take note that SWIFT processes may take longer than anticipated, therefore it is important that you initiate this process before approaching the NPSD.</p> <ol style="list-style-type: none"> 1. Business Identifier Code (BIC8) (production and test environment) 2. Apply for the following production/ test SAMOS SWIFT Interact Services(MOS, SAMEXWeb) in order for the BIC to be linked to these services for processing. <p>Testing will only commence when the BICs have been received, registered and authorised to participate under all required interact services. RMAs must be exchanged with all SAMOS participants in the test environment.</p>	<p>www.swift.com /Ordering and support South Africa Tel: +27 (11) 218 5353</p>
4.	<ol style="list-style-type: none"> 1. Send application letter to the Head of the National Payment System Department at the SARB. 2. Attach the SAMOS application form. 3. If the banking license has been obtained it must be attached, otherwise the applicant must submit it as soon as it has been received as it is a requirement for participation. 	<p>Head: National Payment System Department PO Box 427 PRETORIA 0001</p> <p>Tel: +27-12-313 4961 086 0861 726672 Email: SAMOSOperations@resbank.co.za</p>
5.	The NPSD will request a meeting to kick-start the process once PASA provisional membership has been obtained.	<p>SAMOSOperations@resbank.co.za</p>

No.	Description	Reference / Contact
6.	<ol style="list-style-type: none"> During the take-on process the NPSD will apply for a SAMOS settlement, loan and reserve account from the SARB on the applicant's behalf. It must be noted that if the institution is not in a position to participate in the SAMOS system as yet, it remains their own responsibility to apply for their own SARB accounts 	SAMOSOperations@resbank.co.za Financial Markets Department www.resbank.co.za /Contact us /Online query Tel +27 12 399 7904 +27 12 399 7158

3.4. The following steps can run concurrently with the above steps:

No.	Description	Reference / Contact
1.	Staffing for SAMEXWeb application users: <ol style="list-style-type: none"> Appoint at least two security officers for the purpose of creating and managing users in preparation for testing and production environment. The application can allow up to two authorisation levels, therefore at least three users must be appointed (Capturer, First authoriser and Second authoriser). It is the discretion of the institution how many authorisation levels are set. However, the standard practice is that at least one authorisation level must be set. For more information the copy of the SPS will be provided during take-on process. 	SAMOSOperations@resbank.co.za
2.	<ol style="list-style-type: none"> The applicant is responsible for setting up SAMEXWeb and SWIFT connection. The NPSD is not in a position to recommend which SWIFT Bureau can be appointed by the 	www.swift.com /Ordering and support South Africa Tel: +27 (11) 218 5353

No.	Description	Reference / Contact
	<p>participant. If this option is preferred by the participant.</p> <p>3. Information about SWIFT Bureaus in South Africa is available at SWIFT.</p>	
3.	<p>The applicant must ensure that their DR facilities are in place as it is a requirement that all new SAMOS participants conduct their Disaster Recovery (DR)/ Business Continuity (BC) test within one month of go-live.</p> <p>The following documents are required by NPSD:</p> <ul style="list-style-type: none"> • DR/ BC Plan, • Network Diagram and • Auditor's letter confirming that the test conducted complied with the requirements of the SARB and the • Immediate Settlement (IMMS) PCH BCP Procedures. 	SAMOSOperations@resbank.co.za
4.	<p>System testing requirements:</p> <ul style="list-style-type: none"> • Four weeks of testing with the industry are required:- <ul style="list-style-type: none"> – One week connectivity testing with SARB – Two weeks of normal testing – One week error-free/ clean run 	SAMOSOperations@resbank.co.za
5.	<p>New participant training is offered by the SARB over three consecutive days. The training is conducted before the connectivity testing week. Arrangements are discussed during the take-on process.</p> <p>The training covers the:</p> <ul style="list-style-type: none"> • SAMOS System components and overview, • Functionality of the SAMEXWeb application, • FMD on Repo and Collateral accounts management • NPSD Oversight Introduction/PAYIR application 	SAMOSOperations@resbank.co.za
6.	<p>When testing has been completed:</p>	www.pasa.org.za

No.	Description	Reference / Contact
	<ul style="list-style-type: none"> • The NPSD and testing partners will certify the successful completion of the testing, • NPSD will advise PASA so that authorisation to go live can be obtained for the participant. • PASA will arrange and facilitate the signing of the SAMOS Service Agreement. • Note that the applicant will not go live until all agreements have been signed by all parties. 	<p>> <i>About Us</i></p> <p>> <i>PASA Contact Information</i></p>
7.	After receiving authorisation, the NPSD will commence preparations to go live. NPSD will advise the applicant, PASA and other departments at SARB that the applicant is now a live participant in the SAMOS system.	<p>SAMOSOperation@resbank.co.za</p>

SECTION C: DESIGNATED CLEARING SYSTEM PARTICIPANT

In terms of the National Payment System Act, 1998 (Act No 78 of 1998 as amended) participation in the clearing and settlement domain of the NPS is limited to clearing banks that are registered in terms of the SARBs Act, 1990 (Act No. 94 of 1990 as amended), Mutual Banks Act and Co-operative Banks Act. The SARB may designate a person, subject to meeting said criteria, to clear payment instructions in its own name in terms of section 4 (2) (d) (i). Such a designated clearing system participant must apply for membership of PASA, as only PASA members are able to clear payment instructions in the payment system.

1. Steps to becoming a designated clearing system participant

No.	Description	Reference / Contact
1.	Apply to the SARB's NPSD for designation as a clearing system participant.	NPSDIRECTIVES@resbank.co.za
2.	Apply for PASA membership as a non-bank <ul style="list-style-type: none"> Must be sponsored by a PASA member in settlement. Follow steps 2 to 6 under Section B par.2. The sponsoring bank must apply for authorisation to allow such non-bank/designated clearing system participant to clear. 	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100
3.	Sign service level agreements (SLAs) with all the relevant PCHSOs (BankservAfrica, Visa, Mastercard and Strate etc). <ul style="list-style-type: none"> Once full PASA membership has been granted, PASA will arrange for the signing of the relevant PCH and PCH system operator(s) agreements. All the requirements stipulated therein are legally binding to both parties. 	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100
4.	Sign PCH (bilateral) agreements with all the participants in the applicable PCH's.	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100

No.	Description	Reference / Contact
5.	Sign a sponsoring and mentoring agreement with the sponsoring bank.	

SECTION D: PAYMENT CLEARING HOUSE SYSTEM OPERATOR (PCHSO)

1. What is a payment clearing house system operator (PCHSO)?

A PSO is defined in the NPS Act as a person that clears on behalf of two or more settlement system participants. PSOs are expected to be authorised by the payment system management body (PSMB) to enable them to offer services to the PSO participants in a specific payment system. The criteria used by the PSMB to authorise payment clearing house system operators is maintained by PASA at www.pasa.org.za.

2. Steps to becoming a payment clearing house system operator (PCHSO)

No.	Description	Reference / Contact
1.	The PSO will be appointed by two or more clearing participants to clear and settle payments on their behalf.	
2.	The PSO will be appointed by the participants to become a PSO to the applicable PCH and act on their behalf, depending on the business model.	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100
3.	Advise the Head of the SARB's NPSD of the intention to become a PSO. <ul style="list-style-type: none"> After appointment of the PSO by each of the banks, it is referred to PASA Council for authorisation in terms of the NPS Act. The banks that have appointed the PSO will then sign a service agreement with such PSO. 	NPSDIRECTIVES@resbank.co.za
4.	The SARB's NPSD will set up a meeting with the applicant and the SARB's Business Systems and Technology department (BSTD). <ul style="list-style-type: none"> This is to initiate the project and ensure that all parties agree on all the necessary actions. 	SAMOSOperations@resbank.co.za
5.	Notify the SARB's BSTD of the intent and establish what the SAMOS infrastructure requirements are.	SAMOSOperations@resbank.co.za
6.	Join the Society for Worldwide Interbank Financial Telecommunications (SWIFT).	SAMOSOperations@resbank.co.za

No.	Description	Reference / Contact
	<ul style="list-style-type: none"> • SWIFT takes up to five months to process and implement SWIFT BIC codes and there are four cut-over months per year. 	
7.	<p>Complete SWIFT connectivity and systems testing.</p> <ul style="list-style-type: none"> • After the participant has tested the relevant technical infrastructure successfully, the SARB's BSTD will certify the successful completion and Bank's NPSD will advise PASA so that full PASA membership can be obtained by the participant. 	SAMOSOperations@resbank.co.za
8.	<p>Sign a service level agreement (SLA) (including business continuity planning (BCP) and disaster recovery (DR) arrangements)</p> <ul style="list-style-type: none"> • NPSD will arrange for the signing of the Service level agreement. All requirements stipulated therein are legally binding on both parties. • Redundancy arrangements address failure by one or more of the components that form part of the participant interface infrastructure. • DR facilities make provision for a total loss of access to the primary infrastructure and must be in a different location from the primary site. <p>Participants are required to have both these arrangements in place, to test them on a regular basis and to advise the NPS customer support centre at SAMOSOperations@resbank.co.za of the date and outcome.</p>	SAMOSOperations@resbank.co.za
9.	<p>PASA will inform its members and the SARB that the applicant is registered as a PSO.</p> <p>In terms of process at PASA, the following occurs:</p> <ul style="list-style-type: none"> • Two or more Members indicate that they wish to make use of the services of the potential PSO • The PCH PG appoints the PSO for clearing in the relevant PCH 	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100

No.	Description	Reference / Contact
	<ul style="list-style-type: none"> PASA Council considers the appointment and authorises the PSO in terms of the PSO Criteria 	
10.	NPSD notifies PASA and the industry on the successful take-on of the applicant.	SAMOSOperations@resbank.co.za
11.	NPSD advises the appropriate internal parties of the successful creation of the institution as a PSO.	SAMOSOperations@resbank.co.za

SECTION E: SYSTEM OPERATOR (SO)

Parties who are not banks or designated clearing system participants that engage, as part of their normal business, in providing services to two or more persons in respect of payment instructions, including the delivery to and/or receipt of payment instructions from the bank and/or a PSO must comply with provisions of Directive No. 2 of 2007 for Conduct within the National Payment System in Respect of System Operators²⁰, published under General Notice 1111 in *Government Gazette* 2130261 on 6 September 2007.

1. Steps to becoming a system operator (SO)

No.	Description	Reference / Contact
1.	Apply to PASA for authorisation in terms of the directive, NPS Act and the SO Criteria. •	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100
2.	Sign service level agreements (SLAs) with all persons to whom services are provided (banks).	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100
3.	PASA will update their website and inform the SARB of any newly authorised SO.	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100
4.	PASA issues a certificate to the SO.	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100

²⁰ To view the directive go to www.reservebank.co.za>SARB Activities>Payment & settlement systems>Directives for conduct within the NPS>Directive no. 2 of 2007

²¹ Government gazettes can be accessed under www.greengazette.co.za

SECTION F: THIRD PARTY PAYMENT SERVICE PROVIDER (PSP)

Directive No.1 of 2007 for Conduct within the NPS in respect of payments to third parties was published under General Notice 1110 in *Government Gazette* 30261 on 6 September 2007²².

1. In which ways can payments to third parties be undertaken?

- 1.1. Money or the proceeds of payment instructions are accepted by a person (a beneficiary service provider), as a regular feature of that person's business, from multiple payers on behalf of a beneficiary. An example will be the acceptance of money or proceeds of payment instructions by a retailer or other outlets for payment of utility bills.
- 1.2. Money or the proceeds of payment instructions are accepted by a person (a payment service provider), as a regular feature of that person's business, from a payer to make a payment on behalf of that payer to multiple beneficiaries (payment of salaries on behalf of employers to their employees).

2. Steps to becoming a third-party payment service provider (PSP)

No.	Description	Reference / Contact
1.	The PSP must inform its banker of its business regarding third party payment services	
2.	The banker of the PSP must advise PASA by way of completing the website registration process on behalf of the PSP.	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100
3.	Sign agreements with all the clients that are served.	
4.	PASA will ensure that the registration information pertaining to the PSP is available on the PASA website.	www.pasa.org.za > About Us > PASA Contact Information pasa@pasa.org.za 010 140 7100

²² To view the directive go to www.reservebank.co.za>SARB Activities>Payment & settlement systems>Directives for conduct within the NPS

SECTION G: GLOSSARY OF TERMS²³

(non-exhaustive list of terms used within this document as well as within the industry)

Term	Description
Accounts	A record of the financial transactions affecting the assets, liabilities, income and expenditure. In SAMOS only banks can have accounts.
Acquirer	The entity or entities that hold(s) deposit accounts for card acceptors (merchants) and to which the card acceptor transmits the data relating to the transaction. The acquirer is responsible for the collection of transaction information and settlement with the acceptors.
Authentication	A security process that is followed to verify and confirm the identity of an individual, institution, device, system and or application and that such have the right permissions to access, resources, services, systems/ applications etc
Beneficiary service provider	A person who accepts money or the process of payment instructions as a regular feature of their business from multiple payers on behalf of a beneficiary
Bilateral	between two parties.
Bilateral exposure	One party's exposure to another party.
Bilateral netting	An arrangement between two parties to net their bilateral obligations. The obligations covered by the arrangement may arise from financial contracts, transfers or both.
Business continuity	A payment system's arrangements which aim to ensure that it meets agreed service levels even if one or more components of the system fail or if it is affected by an abnormal external event. Include both preventative measures and arrangements to deal with contingencies.
Central securities depository	A facility for holding securities, which enables securities transactions to be processed by book entry. Physical securities may be

²³ For a more comprehensive glossary of terms list go to: www.bis.org>BIS home>Monetary & financial stability>Committee on Payment and Settlement Systems>Glossary of Terms.

Term	Description
	immobilised by the depository or securities may be dematerialised (i.e. so that they only exist as electronic records).
Certification authority	An entity entrusted with creating and assigning public key certificates.
Clearing	The exchange of payment instructions between the payer's bank and the payee's bank.
Clearing bank	A bank that participates in the clearing of payment instructions between banks.
Clearing participant	A bank, mutual bank, co-operative bank or a branch of a foreign institution, or a designated clearing participant
Clearing, netting and settlement agreements	Written agreements with regard to clearing, netting or settlement, concluded between payment system management body clearing participants, the SARB's settlement system participants or designated settlement system participants.
Confirmation	The process in which the terms of a trade are verified either by market participants directly or by some central entity.
Counterparty	The opposite party to a financial transaction.
Cross-border settlement	A settlement that takes place in a country other than the country in which one trade counterparty or both are located.
Customer	A buyer, seller or holder of securities and financial instruments that does not participate directly in a system.
Designated clearing system participant	Person designated to clear through the issuance of a directive.
Domestic settlement	A settlement that takes place in the country in which both counterparties to the trade are located.
Domestic trade	A trade between counterparties located in the same country.
Encryption	The use of cryptographic algorithms to encode clear text data into cipher text to prevent unauthorised observation.
End user	a person or other entity that consumes or makes use of the goods or services produced by businesses the person who makes the final purchase and use of a product or service
Final settlement	Settlement which is irrevocable and unconditional.

Term	Description
Gross settlement system	A transfer system in which the settlement of funds or securities transfer instructions occurs individually (on an instruction by instruction basis).
Hybrid system	A payment system that combines characteristics of RTGS systems and netting systems.
Integrity	The quality of being protected against accidental or fraudulent alteration or of indicating whether or not alteration has occurred.
Issuer	The entity which is obligated on a security or other financial instrument.
Issuing agent	An institution that acts on behalf of the issuer of securities in distributing the securities and in realising the proceeds thereof for the benefit of the issuer.
Key	A unique series of digits used in combination with a cryptographic algorithm.
Large-value payments	Payments, generally of very large amounts, which are mainly exchanged between banks or between participants in the financial markets and usually require urgent and timely settlement.
Market value	The cost that would be incurred or the gain that would be realised if an outstanding contract were replaced at current market prices.
Netting	An agreed offsetting of mutual obligations by trading partners or participants in a system.
Obligation	A duty imposed by contract law. It is also used to describe a security or other financial instrument, such as a bond or promissory note, which contains the issuer's undertaking to pay the owner.
Operating system	That part of the software of a computer system (including chips) that is closely tied to the hardware on which it runs
Payer service provider	A person who accepts money or the proceeds of payment instructions, as a regular feature of that person's business, from a payer to make payments on behalf of that payer to multiple beneficiaries.
Payment Association of South Africa (PASA)	The governing body for all Payment Stream Associations (PSAs).
Payment clearing house system operator	A payment clearing house system operator is the registered company that provides the infrastructure for the functioning of one or

Term	Description
	more payment clearing houses. In SAMOS messages are received from the PCH SO not the PCH. The PCH SO will have a formal agreement for every payment stream association's settlement instructions that it settles through SAMOS.
Payment clearing house (PCH)	An arrangement between two or more PSMB clearing participants and/or SARB settlement system participants, excluding a designated settlement system operator, governing the clearing or netting of payment instructions between those SARB settlement system participants.
Payment instruction	An instruction to transfer funds or to make a payment.
Payment finality	When a bank has given a customer confirmation, implicitly or explicitly, that a payment is irreversible and irrevocable.
Payment obligation	An indebtedness that is owed by one PSMB clearing participant and/or settlement system participant to another as a result of the clearing of one or more payment instructions
Payment to third persons	The activities of a beneficiary service provider and a payer service provider as defined.
Real-time gross settlement	The continuous (real-time) settlement of funds or securities transfers individually on an order by order basis (without netting).
South African Multiple Option Settlement (SAMOS) system	SAMOS is part of the NPS. SAMOS provides final and irrevocable settlement of interbank obligations and provides the banks with multiple options to accomplish this.
Settlement	The final and irrevocable discharge of an obligation of one bank in favour of another bank in central bank money.
Transfer	Operationally, the sending (or movement) of funds or securities or of a right relating to funds or securities from one party to another party.

SECTION H: LIST OF ACRONYMS*(non-exhaustive list of acronyms frequently used within the industry)*

Acronym	Description
AC	Agency Clearing
ATM	Automated Teller Machine
BCP	Business Continuity Planning
BIC 8	Business Identification Code (8 characters)
BIS	Bank for International Settlement
BESA	Bond Exchange of South Africa
BME	Bond Market Exchange
BSP	Beneficiary Service Provider
BSTD	South African Reserve Bank Business Systems and Technology Department
CA	Certification Authority
CBL	Concurrent Batch List (Single)
CBPL	Concurrent Batch Processing List (Batched)
CC	Corporate Client
CD	Central Depository
CEO	Chief Executive Officer
CLS	Continuous Linked Settlement
CMA	Common Monetary Area
CPL	Continuous Processing Line
CPS	Certification Practice Statement
CPSS	Committee on Payment and Settlement Systems
CSC	Customer Support Centre
CSD	Central Security Depository
CUG	Closed User Group
DBNT	South African Reserve Bank Debentures
DR	Disaster Recovery
DRP	Disaster Recovery Procedure
DVP	Delivery Versus Payment
EFT	Electronic Funds Transfer
EOD	End of Day
FI	Financial Instrument
FIFO	First In First Out

Acronym	Description
FMD	South African Reserve Bank Financial Markets Department
FME	Financial Market Exchange
GS	Government Stock
ICT	Information and Communication Technology
IN	Information Notification
ISO	International Standards Organisation
JSE	Johannesburg Stock Exchange
MC	Mentored Clearing
MOS	SAMOS Closed User Group
MV	Market Value
NCR	National Credit Regulator
NPS	National Payment System
NPSD	South African Reserve Bank National Payment System Department
PASA	Payment Association of South Africa
PCH	Payment Clearing House
PCH PG	Payment Clearing House Participant Group
PG	Participant Group
PI	Payment Instruction
PSA	Payment Stream Association
PSMB	Payment System Management Body
PSP	Payer Service Provider
PCH SO	Payment Clearing House System Operator
PSO	Payment System Operator
SADC	Southern African Development Community
SAFEX	South African Futures Exchange
SAMEX	SAMOS Front End System
SAMOS	South African Multiple Option Settlement (system)
SARB	South African Reserve Bank
SARBLink	SARBLink Message Exchange
SC	Sponsored Clearing
SCD	Settlement Cycle Date
SI	Settlement Instruction
SLA	Service Level Agreement
SO	System Operator

Acronym	Description
SOD	Start of Day
SPR	SAMOS Position Refresh
SSPG	SAMOS System Participant Group
STP	Straight Through Processing
STSG	SAMOS Technical Steering Group
STRATE	Share Transactions Totally Electronic
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TB	Treasury Bill
TO	Technical Outsourcing