



SOUTH AFRICAN RESERVE BANK

National Payment System Department

Draft for Consultation

Directive in respect of specific payment activities within the national payment system

Directive X of 2025

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Part 1: Background, definitions, application and exemptions

1. Background

- 1.1 In terms of section 10(1)(c) of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989) as amended (SARB Act), the South African Reserve Bank (Reserve Bank) is required to perform such functions, implement such rules and procedures and, in general, take such steps as may be necessary to establish, conduct, monitor, regulate and supervise payment, clearing or settlement systems. Furthermore, the National Payment System Act, 1998 (Act No. 78 of 1998), as amended (NPS Act), provides for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in the Republic of South Africa, and for connected matters.
- 1.2 The national payment system (NPS) encompasses the entire payment process, from payer to beneficiary, and includes settlement between banks. The process includes all the tools, systems, instruments, mechanisms, institutions, agreements, procedures, rules, or laws applied or utilised to effect payment. The NPS is a primary component of the country's monetary and financial system as it enables the circulation of money and assists transacting parties to make payments and exchange value.
- 1.3 In terms of section 12(1) of the NPS Act, the Reserve Bank may, from time to time and after consultation with the payment system management body (PSMB), issue directives to any person regarding a payment system or the application of the provisions of the NPS Act. The considerations for issuing a directive take account of the integrity, effectiveness, efficiency and security of the NPS and national financial stability as well as any other matters that the Reserve Bank considers appropriate.
- 1.4 The issuing of a directive may require a person to cease or refrain from engaging in the act or course of conduct to remedy the situation or perform such acts necessary to comply with the directive and effect a change.

1.5 This Directive stipulates the requirements with which any person (bank or non-bank) must comply with should they wish to offer specific payment activities, as listed in Annexure A. These activities include those exempted from the Banks Act, 1990 (Act No. 94 of 1990), as amended (Banks Act), Notice XX of 2025. Before the Exemption Notice and this Directive were issued, some of these activities were considered ‘the business of a bank’, requiring non-bank entities to partner with or be sponsored by a bank to provide these payment activities.

2. Definitions

In this Directive, unless the context indicates otherwise, the words and expressions used shall have the same meaning as assigned to them in the NPS Act, and similar expressions shall have corresponding meanings.

2.1 **‘Agent’** means a person who provides agency business to clients on behalf of a payment institution.

2.2 **‘Agency agreement’** the contractual agreement between:

- a. a payment institution and an agent;
- b. a master agent and an agent; or
- c. a payment institution and master agent.

2.3 **‘Agency business’** means the provision of payment activities to clients through an agent on behalf of the payment institution.

2.4 **‘Agent point’** means a single location where agency business is provided to clients on behalf of a payment institution.

2.5 **‘Client funds’** means funds that were received by a payment institution from a consumer/client or through another payment activity institution for the execution of a payment activity listed in Annexure A.

- 2.6 **‘Closed-loop payment system or payment activity’** means a payment system or payment activity that is not interoperable with other payment systems, and the payment service provider is the same entity or part of the same group as the payment service provider of the payee, with transactions limited to a specific network or ecosystem.
- 2.7 **‘Exemption Notice’** means Notice XX of 2025 issued in terms of paragraph (cc) of the definition of ‘the business of a bank’ in section 1(1) of the Banks Act.
- 2.8 **‘e-money issuer’** means an entity that issues electronically stored monetary value upon receipt of funds. This value is represented by a claim on the issuer, which is generally accepted as a means of payment by persons other than the issuer and is redeemable for physical cash or a deposit into a payment account, on demand, that complies with the respective requirements specified in this Directive, read with the Exemption Notice.
- 2.9 **‘FIC Act’** means the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001), as amended.
- 2.10 **‘Float’** means in the payment system the balance sheet effect of crediting or debiting the payment account of the payer before the offsetting entry is made to the account of the payee; or the accounting effects of the asynchronous posting of payment entries to the accounts of the payer and payee.
- 2.11 **‘FSR Act’** means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), as amended.
- 2.12 **‘Key person’** in relation to a payment institution, means each of the following persons:
- (a) a member of the governing body of the payment institution;
 - (b) the chief executive officer or other person in charge of the payment institution;

- (c) a person other than a member of the governing body of the payment institution who makes or participates in making decisions that—
 - (i) affect the whole or a substantial part of the business of the payment institution; or
 - (ii) have the capacity to affect significantly the financial standing of the payment institution;
- (d) a person other than a member of the governing body of the payment institution who oversees the enforcement of policies, and the implementation of strategies approved, or adopted, by the governing body of the payment institution or payment system participant;
- (e) the head of a control function of the payment institution; and
- (f) the head of a function of the payment institution that this Act requires to be performed.

2.13 **‘Master agent’** means a person who has an agreement with a payment institution to contract and manage agents that provide payment activities to consumers on behalf of the payment institution.

2.14 **‘Interoperable’** means the technical or legal compatibility that enables a system or mechanism to be used in conjunction with other systems or mechanisms. Interoperability allows participants within different systems to clear and settle payments or financial transactions across systems without participating in multiple systems.

2.15 **‘Money remitter’** means a person providing a service for the transmission of funds (or any representation of monetary value) in South Africa, with or without any payment accounts being created in the name of the payer or the payee, where—

- (a) funds are received from a payer for the sole purpose of transferring a corresponding amount to a payee or to another payment institution acting on behalf of the payee; or
- (b) funds are received on behalf of, and made available to, the payee.

- 2.16 **‘Outsourcing arrangement’** means an arrangement between a payment institution and another person for the provision to or for the payment institution of any of the following:
- (a) a control function;
 - (b) a function that is integral to the nature of a payment product or payment service that the payment institution provides, but does not include—
 - (i) a contract of employment between the payment institution and a staff member; or
 - (ii) an arrangement between a payment institution and a person for the person to act as a representative of the payment institution payment activity.
- 2.17 **‘Payee’** means a natural or juristic person who is the intended recipient of funds which have been the subject of a payment instruction.
- 2.18 **‘Payer’** means a natural or legal person who holds a payment account and allows a payment instruction from that payment account, or, where there is no payment account, a natural or legal person who gives a payment instruction.
- 2.19 **‘Payment account’** means an account that is used for the transfer of funds, or making or receiving a payment. It includes the categories of accounts that are described in sub-categories of the activity of “provision of payment account or store of value” in Annexure A.
- 2.20 **‘Payment activity’** means an activity or sub-activity listed in Annexure A of this Directive.
- 2.21 **‘Payment institution’** means a person that is authorised, designated and or regulated under the NPS Act and this Directive as required in paragraph 5.3 of this Directive to perform a payment activity listed in Annexure A.
- 2.22 **‘Payment instruction’** means an instruction by a payer or a payee to their respective payment institution requesting the execution of a payment.

- 2.23 **‘Payment instrument’** means a tool or a set of procedures enabling the transfer of funds from a payer to a payee or making or receiving a payment.
- 2.24 **‘Variation’** means amending, deleting, replacing, or varying authorisation conditions, or imposing other or additional conditions; and/or amending the payment activities or subcategories of payment activities that the payment institution is authorised or designated to undertake.

3. Application of this Directive

- 3.1 This Directive applies to all persons providing/conducting or applying to provide/conduct payment activities listed in Annexure A, except where specifically excluded.
- 3.2 Persons already licensed as banks by the Prudential Authority in terms of the Banks Act to conduct the business of a bank and providing/conducting or applying to provide/conduct payment activities must comply with the relevant requirements relating to these provisions/paragraphs as specified in the Banks Act and the Regulations relating to Banks.
- 3.3 Where the Reserve Bank is involved in providing/conducting or intending to provide/conduct payment activities listed in Annexure A, it is exempt from complying with the following sections of this Directive: 9. Governance requirements; 10. Fit-and-proper and prudential requirements; 25. Accounting and audit; and 26.4 Liquid assets requirements.

Part 2: Purpose and position of the Reserve Bank

4. Purpose

- 4.1 This Directive outlines the requirements for the provision of the payment activities listed in Annexure A.

5. Position of the Reserve Bank

- 5.1 The Reserve Bank supports innovative and interoperable payment activities that improves the efficiency, accessibility, safety and integrity of the NPS and enhances the safety or soundness of the payment institutions.
- 5.2 A payment activity listed in the Exemption Notice is exempt from the definition of the 'business of a bank' as outlined in the Banks Act.
- 5.3 Any person that provides a payment activity listed in Annexure A must obtain authorisation from the Reserve Bank to offer the payment activity in accordance with this Directive. They must be designated by the Reserve Bank as a designated clearing system participant under the NPS Act or be a clearing system participant. To provide a settlement payment activity, the payment institution must either become a Reserve Bank settlement system participant, meeting the Reserve Bank settlement system operator's eligibility and participation criteria, or, if not a Reserve Bank settlement system participant, must have appointed a Reserve Bank settlement system participant to settle payment obligations on its behalf, or be a designated settlement system participant, subject to meeting the designated settlement system operator's eligibility and participation criteria and any criteria of the Reserve Bank.
- 5.4 Any payment activity involving the pooling of funds that is not listed in the Exemption Notice will continue to be regarded as 'the business of a bank' under the Banks Act. Such activities will remain subject to the Banks Act and any regulatory instrument or framework issued under it. Therefore, non-banks conducting these activities must either obtain a banking licence or partner with or be sponsored by a bank. Any non-bank offering such payment activities

without being registered as a bank or in partnership with a bank will be contravening the Banks Act.

- 5.5 If a person engages in one or more payment activities, they must hold separate payment accounts or store of value for each payment activity listed in Annexure A of this Directive and/or the NPS Act, which are used exclusively for payment transactions.
- 5.6 Interoperable payment transactions must comply with the clearing and settlement requirements and timelines outlined in the NPS Act and related directives. This includes compliance with payment clearing house (PCH) agreements between participants, and between participants and PCH system operators, settlement agreements, and the rules and operational procedures for clearing and settlement.

6. Exemptions

- 6.1 The Reserve Bank may, upon application or at its own discretion, and in respect of prudential requirements (or where relevant) after consulting and obtaining written agreement from the Prudential Authority and subject to conditions set by the Prudential Authority, exempt any person from complying with any part of this Directive where—
 - 6.1.1 practicalities impede the application of a part, provision or requirement of this Directive;
 - 6.1.2 any existing legislation also regulates a payment activity;
 - 6.1.3 it is consistent with the achievement of the following NPS objectives:
 - a. the stability, safety, efficiency, transparency and integrity of the NPS;
 - b. the safety and soundness of payment institutions; and
 - c. confidence in the NPS.
 - 6.1.4 it will support financial inclusion, competition and innovation in the NPS; or
 - 6.1.5 it is in the public interest.
- 6.2 The Reserve Bank may grant an exemption to different categories, subcategories, types or kinds of applicants or payment institutions, or to one

or more specific payment institutions, provided that no non-bank may be exempt from the requirement specified in the Exemption Notice for any payment activity involving the pooling of funds by a person/entity other than a bank.

- 6.3 An exemption granted under this paragraph may be provided for a specified period and subject to conditions as prescribed by the Reserve Bank and, where applicable, the Prudential Authority for prudential requirements.
- 6.4 The Reserve Bank may deny an exemption from this Directive if it could lead to a systemic event or pose a risk to the safety of the NPS, including the safety and soundness of the payment institutions and protection of customer funds.
- 6.5 An exemption may be withdrawn in its entirety or in part on any grounds which the Reserve Bank may consider justifiable.
- 6.6 The Reserve Bank may suspend or withdraw the exemption in the event of non-compliance with the stipulated conditions.
- 6.7 The Reserve Bank must publish an exemption on its website, with the reasons for granting the exemption.

Part 3: Application for authorisation to conduct a payment activity

7. General application requirements

- 7.1 A person/entity seeking authorisation to conduct or provide a payment activity must be a duly registered and/or an incorporated juristic person or entity and must apply to the Reserve Bank in its prescribed format. If a person/entity wishes to apply for more than one payment activity, each activity requires a separate application.
- 7.2 The application must be accompanied by detailed supporting documentation, which include, but are not limited to, the following:
- 7.2.1 Details of the juristic person including certified copies of the notice of incorporation and registration certificate issued by the Companies and Intellectual Property Commission (CIPC) under the Companies Act, 2008 (Act No. 71 of 2008) (Companies Act), or an equivalent body.
- 7.2.2 A certified copy of the memorandum of incorporation lodged with the CIPC or an equivalent body.
- 7.2.3 A certified copy of the shareholder register.
- 7.2.4 The address of the applicant's place of business and head office in the Republic of South Africa, or, where the applicant is situated outside the Republic, the address of the applicant's headquarters or parent company/entity.
- 7.2.5 History of the business as contained in the business plan or any other documentation, date of business registration, email and website address.
- 7.2.6 Confirmation whether the applicant and/or its parent company/entity or parent company subsidiaries, where applicable, were ever subject to a money

laundering, terrorism financing and proliferation financing (ML/TF/PF) investigation. If so, the applicant must provide details of such an investigation.

- 7.2.7 Confirmation and a description of internal control mechanisms established to ensure compliance with the relevant anti-money laundering (AML), combating the financing of terrorism (CTF) and counter-proliferation financing (CPF) measures as provided for in the legal frameworks of the Prevention of Organised Crime Act, 1998 (Act No. 121 of 1998) (POCA), the Protection of Constitutional Democracy against Terrorist and Related Activities Act, 2004 (Act No. 33 of 2004) (POCDATARA), the FIC Act and any relevant directives, regulations or notices issued under it.
- 7.2.8 Confirmation whether the applicant or its parent company/entity, where applicable, was ever subject to any investigation and, if so, they must provide details.
- 7.2.9 Details regarding whether the applicant or parent company/entity has been the subject of frequent or severe preventative, remedial or enforcement actions by any regulatory authority. If applicable, the applicant must provide details of the regulatory action taken.
- 7.2.10 Information on whether the applicant has ever been denied authorisation or a licence or registration to perform a trade or conduct business or has had such registration, authorisation or licence revoked, withdrawn or terminated by a regulatory authority.
- 7.2.11 Details regarding whether the applicant or its parent company/entity has ever been or is currently regulated by a financial services regulatory authority. If applicable, they must provide the names of the regulatory authorities, regulated activities, and periods of regulation.
- 7.2.12 A detailed business plan that includes payment activity offerings, fees or commission to be charged and a forecast budget for the first three financial years. This forecast must demonstrate that the applicant has the necessary

and appropriate systems, resources and procedures to conduct business safely and effectively.

- 7.2.13 A detailed operational plan outlining the specific type of payment activity the applicant is applying for.
- 7.2.14 Documents showing compliance with the Reserve Bank's prudential requirements outlined in paragraph 14, such as proof of initial capital and internal controls to ensure ongoing compliance.
- 7.2.15 Details of the applicant's governance arrangements, which have been approved by the board or senior management, duly aligned with the prevailing best governance standards, principles, practices and internal control mechanisms. These arrangements should include administrative, risk management and accounting procedures that demonstrate soundness, adequacy and appropriateness.
- 7.2.16 A schematic view of the board of directors and subcommittees which includes the constituents and chairmanship.
- 7.2.17 Details of the procedures in place to monitor, manage and follow up on operational or security issues and incidents. This includes cyber-related incidents and operational or security-related client complaints, along with an incident reporting mechanism and mitigation measures.
- 7.2.18 Details of the process in place to file, monitor, track, access, manage and restrict access to sensitive payment data.
- 7.2.19 Details of business continuity plans, including the identification of critical operations, effective contingency measures and procedures to regularly test and review the adequacy and effectiveness of these plans.
- 7.2.20 Information on the principles and definitions used for collecting and sharing statistical data on performance, transactions and fraud.

- 7.2.21 Details of risk management measures, including a comprehensive risk assessment for payment activities and a description of security controls and mitigation measures taken to protect payers, payees, and the NPS from risks, such as cyber incidents, fraud and the illegal use of sensitive and personal data.
- 7.2.22 Information on an appropriate and tested technology system, validated and certificated by a third party approved by the Reserve Bank, that enables interfacing with relevant systems to perform payment activities and comply with the risk management arrangements.
- 7.2.23 An explanation of how client funds (both payer and payee) are safeguarded in accordance with paragraph 16 below.
- 7.2.24 A detailed description of the applicant's organisational structure, as required in paragraph 8. This includes, if applicable, an explanation of the intended use of agents as mentioned in paragraph 22, the branches, and the checks and validations conducted both off-site and on-site at least once a year. It also covers outsourcing arrangements, as outlined in paragraph 23, and their participation in the NPS.
- 7.2.25 The identities of individuals who own or hold shares in the applicant, both directly and indirectly. This includes significant and beneficial owners as defined under section 1 of the FSR Act and FIC Act, along with the supporting guidance notes issued by the Financial Intelligence Centre (FIC) or the Reserve Bank. The information should detail the size of their holdings and provide evidence of their suitability to ensure the applicant is managed soundly and prudently.
- 7.2.26 The names and identities of directors and key management staff of the applicant, including those responsible for managing payment systems activities, along with evidence of their suitability. This should be in accordance with the requirements outlined in paragraph 10 of this Directive and

demonstrate that they possess the appropriate knowledge and experience to perform payment activities as determined by the Reserve Bank.

- 7.2.27 A description of the applicant's audit arrangements, including the identities of external auditors and audit firms, along with their names, addresses and contact details.
- 7.2.28 Details of internal controls and tools to ensure pricing transparency, with disclosures made available on the applicant's website.
- 7.2.29 Information on how the business model is funded, including own funds, loan funding (with lender's name and domicile if applicable) and other sources of funding.
- 7.2.30 Written confirmation that the applicant will not engage in payment activities, except for those stated under paragraph 8 in Annexure A or closed-loop payment activities, unless:
- a. designated as a clearing system participant by the Reserve Bank for persons other than banks;
 - b. authorised as a clearing system participant and membership of the PSMB, or a clearing system participant appointed to clear payment instructions on its behalf;
 - c. obtained membership of a scheme and/or became a participant of a PCH system operator; and
 - d. authorised and admitted by the Reserve Bank as a Reserve Bank settlement system participant or appointed a Reserve Bank settlement system participant to settle payment obligations on its behalf or designated by the Reserve Bank as a settlement system participant.
- 7.2.31 Confirmation that the person applying for authorisation has internal controls in place to comply with the clearing and settlement requirements outlined in the NPS Act, directives, rules, regulatory frameworks and PCH agreements of the PSMB, as well as agreements, rules and procedures of the PCH system operator, Reserve Bank settlement system or the designated settlement

system. This also includes compliance with the AML/CFT/CPF requirements mentioned in paragraph 7.2.7 above.

7.2.32 Any other information that the Reserve Bank may require.

8. Organisational structure

8.1 The applicant applying for authorisation to conduct a payment activity must provide details of its organisational structure, including, but not limited to, the following:

8.1.1 An organisational chart and board charter outlining the following:

- a. each division, department or similar structure;
- b. a description of the functions and responsibilities of each division, department or similar structure;
- c. reporting and communication lines;
- d. decision-making procedures and accountabilities;
- e. the number of staff employed per function and division or structure;
- f. systems for monitoring internal controls;
- g. the details of the board of directors and its oversight of the governance arrangements; and
- h. key management staff responsible for maintaining an effective system of operations regarding payment activities.

8.1.2 The group structure if the applicant is a subsidiary of a group, indicating any interest that the applicant may hold and the nature of the business activities in which the applicant holds such interest.

8.1.3 The equity structure including the names and nationalities of the shareholders of the company, significant shareholders and beneficial owners. The shareholding structure should indicate the percentage of shareholding of each shareholder, significant owner and beneficial owners.

- 8.1.4 A declaration by shareholders and beneficial owners of any other business interest that is related to payment activities.
- 8.1.5 Evidence of source of funds by a significant shareholder.
- 8.1.6 Shareholder agreements and copies of share certificates.
- 8.1.7 A declaration from shareholders and ultimate beneficial owners that they hold the shares in their personal capacity, not as agents or nominees for disclosed or undisclosed persons, and that there are no silent partners controlling the shareholders of the legal entity.

9. Governance requirements

- 9.1 A detailed explanation of the applicant's governance structures and internal control mechanisms is required. It should include their administrative and risk management procedures that demonstrate their proportionality, appropriateness, soundness and adequacy, along with the following information:
 - 9.1.1 The different procedures in place for periodic and ongoing monitoring of controls within the applicant's organisation, including the frequency and the human resources allocated.
 - 9.1.2 The accounting procedures by which the applicant will record and report its financial information.
 - 9.1.3 A description of the group's governance arrangements, if applicable, where the applicant is a subsidiary.
 - 9.1.4 The identity and up-to-date curriculum vitae of the persons responsible for compliance control.

- 9.1.5 Information about the external auditors to ensure regular and periodic assessments of the company's controls procedure, regulatory compliance, security environment and critical systems.
- 9.2 The applicant must inform the Reserve Bank about any relationships between the external auditors and the directors, key management personnel or shareholders.
- 9.3 The composition of the management body and, if applicable, any other oversight body or committee, including its membership and anticipated establishment date (if not yet established), must be provided.
- 9.4 Regarding the identity and suitability assessment of directors and key management personnel of the payment institution, the applicant must also provide:
- 9.4.1 their appointment letter, employment contract, job offer or their respective drafts, as applicable;
 - 9.4.2 the proposed start date and duration of the mandate;
 - 9.4.3 a description of the individual's key duties and responsibilities; and
 - 9.4.4 information on the suitability assessment carried out by the applicant, including details of the outcome of any assessment of the individual's suitability performed by the institution, such as relevant board minutes or suitability assessment reports.

10. Fit-and-proper requirements

- 10.1 A payment institution must ensure that its directors and key personnel are honest and have the necessary integrity, competence, skills and payment-related experience required to fulfil their roles and responsibilities, at application and on an ongoing basis.
- 10.2 The following indicates that a director or key person may lack honesty and integrity:

- 10.2.1 The person has been convicted of a financial crime or is the subject of pending proceedings for such a crime.
- 10.2.2 The person has been convicted or is the subject of pending proceedings which may lead to a conviction under any law in any jurisdiction, of an offence:
- a. under a law relating to the regulation or supervision of a payment institution or a corresponding offence under the law of a foreign country involving theft, fraud, forgery, uttering a forged document, perjury or an offence involving dishonesty;
 - b. under the Prevention of Corruption Act, 1958 (Act No. 6 of 1958), the Corruption Act, 1992 (Act No. 94 of 1992), or parts 1 to 4 or sections 17, 20 or 21 of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004), or a corresponding offence under the law of a foreign country; and
 - c. where the penalty for the offence was, or may be, imprisonment or a significant fine.
- 10.2.3 The person has accepted civil liability or is civilly liable for theft, fraud, forgery, uttering a forged document, misrepresentation or dishonesty under any law.
- 10.2.4 The person has been subjected to sequestration proceedings.
- 10.2.5 The person held a managerial position in an entity that underwent insolvency or liquidation proceedings.
- 10.2.6 The person has faced frequent or severe preventative, remedial or enforcement actions by a regulatory authority.
- 10.2.7 The person has breached fiduciary duties.
- 10.2.8 The person has been refused or had revoked any authorisation, licence or registration to carry out a trade or business by a regulatory authority.
- 10.2.9 The person has been or is currently suspended, dismissed, or disqualified from acting as a key person under any law.
- 10.2.10 The person has been refused or had revoked membership of any professional body due to dishonesty, integrity, or business conduct issues.
- 10.2.11 The person has been disciplined, reprimanded, disqualified, or removed by a professional body or a regulatory authority concerning honesty, integrity or business conduct.
- 10.2.12 The person has shown a lack of readiness and willingness to comply with legal, regulatory, or professional standards.

- 10.2.13 The person has knowingly provided false or misleading information to a regulatory authority or has been uncooperative in dealings with them.
- 10.2.14 The person has been assessed and confirmed to be not fit and proper by a regulatory authority in previous assessments of fitness and propriety.
- 10.3 A payment institution must develop and maintain fitness and propriety policies and procedures that:
- 10.3.1 clearly define and document the fitness and propriety criteria required for directors and key persons, ensuring compliance with the fit-and-proper requirements outlined in this Directive;
 - 10.3.2 include periodic fit-and-proper assessments for key person(s) and directors;
 - 10.3.3 ensure there is sufficient documentation retained for each fit-and-proper assessment to demonstrate the fitness and propriety of directors and key person(s);
 - 10.3.4 include processes to be applied in assessing whether a director or key person is fit and proper;
 - 10.3.5 stipulate the steps and actions to be taken where the payment institution assesses an existing director or key person to no longer meet the fit-and-proper requirements, including notifying the Reserve Bank of such an assessment and outcome; and ensuring the director is removed. If the director or key person no longer meets the fit-and-proper requirements and is not removed, the Reserve Bank may revoke the authorisation;
 - 10.3.6 include adequate provisions for confidential reporting by any person who believes that a director or key person does not meet the payment institution's fit-and-proper criteria, and ensure the protection of such a person;
 - 10.3.7 include requirements that directors or key persons consent to being subject to the fitness and propriety policy; and
 - 10.3.8 include provisions that the payment institution consents to any former payment institution director or key person disclosing information to the Reserve Bank.

11. Risk management arrangements

11.1 General

11.1.1 The applicant must provide a detailed risk assessment of the payment activity it intends to offer. This should include an effective enterprise risk management framework to assess, identify, manage, mitigate, monitor and report any risks, including but not limited to any potential fraud risks and the security measures to mitigate them. Appropriate risk control measures to protect clients should also be outlined. The following should also be included:

- a. A mapping of identified risks, including their types, assessment procedures and mitigation strategies.
- b. Scenarios analysis of possible risk events, including but not limited to high-severity operational risk events. This should consider the potential impact of failed or inadequate services arising from processes, systems, people or external events.
- c. A description of the information and communication technology (ICT) systems should include:
 - i. the ICT systems to be deployed;
 - ii. the architecture of the systems, including a network elements diagram;
 - iii. the business ICT systems supporting the payment activity provided, such as the applicant's website, accounts/wallets, store of value, payment engine, the risk and fraud management engine and client accounting;
 - iv. the support ICT systems used for the organisation and administration of the applicant, such as accounting, compliance reporting systems, staff management, client relationship management, email servers and internal file servers;
 - v. appropriate security policies and measures to safeguard the integrity, authenticity and confidentiality of data and operating processes, including transaction monitoring;
 - vi. information on whether those systems are already in use by the applicant or its group, and the estimated date of implementation, if applicable; and

- vii. certification, where applicable, and compliance with internationally recognised best practice information security management standards.
- d. Periodic testing of ICT systems. Details of the cybersecurity and cyber-resilience policy, strategy and framework outlining the cybersecurity and cyber-resilience measures, processes procedures and controls must comply with the Directive in respect of cybersecurity and cyber-resilience within the NPS (Directive No 1 of 2024).
- e. The enterprise risk management framework should include:
 - i. risk and mitigation measures including operational, market, liquidity, legal, credit and funding risks where applicable; and
 - ii. a business impact assessment.

11.2 Credit risk management

11.2.1 A payment institution must:

- a. develop and implement a robust risk management framework, approved by its governing body to identify, assess and manage its credit exposures to its counterparties, customers and other entities;
- b. identify sources of credit risk and use appropriate risk management tools to measure and monitor credit exposure throughout the day;
- c. maintain sufficient financial resources to fully cover its credit exposure to customers or other entities with a high degree of confidence; and
- d. take responsibility for managing and mitigating their credit risks to the extent possible and at reasonable cost.

11.2.2 A PCH system operator or an operator of a settlement system must:

- a. develop and implement a robust risk management framework approved by its governing body to identify, assess and manage its credit risks arising from payment, clearing and/or settlement processes;
- b. Require its participants to maintain sufficient financial resources (such as collateral) to fully cover credit or settlement exposure to each participant or other entities with a high degree of confidence;

- c. establish rules and procedures to fully address any credit losses arising from individual or combined default among its participants concerning their obligations to the payment institution; and
- d. have rules that set out parameters for the circumstances in which specific resources of the participants can be used in the event of a participant default.

11.3 Security incidents management

11.3.1 The applicant must describe the procedures in place to monitor, handle and follow up on security incidents and client complaints related to security. This description should include:

- a. organisational measures and tools for detecting, monitoring and preventing fraud;
- b. details of the individuals and bodies responsible for assisting clients in cases of fraud, technical issues and claim management;
- c. reporting lines for cases of fraud;
- d. contact points for clients, including names and email addresses;
- e. procedures for reporting incidents, including communications to internal or external bodies, with major incidents being notified to the Reserve Bank; and
- f. monitoring tools used and the follow-up measures and procedures in place to mitigate security risks.

11.4 Business continuity management

11.4.1 The applicant must have robust business continuity capabilities and appropriate disaster recovery planning at the time of application. The following information should be provided:

- a. a business impact analysis outlining business processes and recovery objectives, recovery time objectives, recovery point objectives and protected assets;
- b. the identification of back-up sites, access to IT infrastructure and the key software and data needed to recover from a disaster or disruption;

- c. an explanation of how the applicant will handle significant continuity events and disruptions, including the failure of key systems, loss of key data, inaccessibility of premises, national grid failure and the loss of key personnel;
- d. the frequency of business continuity and disaster recovery plan testing, including how the results of these tests will be recorded and reviewed;
- e. a description of the mitigation measures to be adopted in the event of termination of payment activities, ensuring the execution of pending payment transactions and the orderly termination of existing contracts; and
- f. an estimate of the number and geographic locations of premises from which disaster recovery planning arrangements will be established.

12. Data protection

12.1 A payment institution must:

- 12.1.1 protect the confidentiality and integrity of payments data and systems, whether the data are in transit or at rest;
- 12.1.2 conduct at least an annual formal review of the information data security risk assessment for the enterprise security arrangements, with ongoing action plans, supported by detailed information security assessments on high-risk areas performed at least bi-annually;
- 12.1.3 ensure that appropriate protection and confidentiality arrangements are in place for data, information, systems and processes, in accordance with the Protection of Personal Information Act, 2013 (Act No. 4 of 2013) (POPI Act).
- 12.1.4 implement measures to ensure that data and records maintained by a service provider or any third party remain the property of the payment institution;
- 12.1.5 develop and implement a framework for the retention of data and records of the payment institution;
- 12.1.6 ensure compliance with data protection requirements of the PSMB, PCH system operators, settlement systems and designated settlement system operators;

- 12.1.7 take appropriate steps to mitigate data security risks, considering data sensitivity and how the data are transmitted, stored and encrypted; and
- 12.1.8 comply with applicable domestic and international standards and practices for information technology (IT) security standards, data and information security management systems for cyber protection and data protection.

13. Closed-loop payment system or activities

- 13.1 A person may not operate a closed-loop payment system or offer a closed-loop payment activity, unless the person is registered by the Reserve Bank.
- 13.2 To apply for registration, the person must follow the procedures and submit the required forms as prescribed by the Reserve Bank.
- 13.3 Once registered, the person must ensure that the closed-loop payment system or activities complies with the prescribed requirements.

14. Prudential requirements

- 14.1 Initial capital
 - 14.1.1 An applicant that is not classified as a bank under the Banks Act must maintain a minimum level of initial capital. This capital should be invested in secure, low-risk liquid assets both at the time of authorisation and on an ongoing basis as follows:

Payment activity	Initial capital (Rands)
1. Acquiring of payment transactions	R5 000 000.00
2. Issuing of payment instruments	R5 000 000.00
3. Provision of payment account <ul style="list-style-type: none"> a. Debit payment account b. Credit payment account 	<ul style="list-style-type: none"> a. R5 000 000.00 b. R2 000 000.00
4. Issuing of e-money	R5 000 000.00
5. Provision of faster payments	R5 000 000.00
6. Issuing of prepaid, debit and credit cards	R6 000 000.00 Credit cards (R2 000 000.00)

7. Provision of card credit payment instruction (CCPI)	R3 000 000.00
8. Provision of electronic funds transfers debits and credits	R6 000 000.00
9. Provision of third-party payments	R3 000 000.00
10. Money remittances	R3 000 000.00
11. Clearing	R6 000 000.00
12. Settlement	R6 000 000.00

14.1.2 A payment institution must keep the initial capital in a savings and/or investment type account that is segregated from its business and client funds.

14.1.3 A payment institution may not use or transfer the initial capital to another account without the prior written approval of the Reserve Bank.

14.1.4 The payment institution must confirm annually that its initial capital has remained unencumbered and was not ceded, pledged or used as collateral by the entity or any of its stakeholders. In addition, the Reserve Bank may adjust the initial capital if there is a significant change/growth in volumes and values as well as changes in the risk profile of the payment institution.

14.1.5 The payment institution must provide evidence of the initial capital to the Reserve Bank bi-annually, indicating that the initial capital was continually maintained as prescribed in this Directive. The Reserve Bank may also require auditor confirmation, where required.

14.1.6 If a payment institution offers two or more payment activities, the Reserve Bank may exempt it from holding initial capital for each payment activity or consolidate the required initial capital.

14.2 Own funds

14.2.1 A payment institution must consistently hold sufficient own funds as part of its total capital requirements. The minimum required level of own funds must be equal to or higher than the initial capital or at least 10% of the preceding year's fixed expenses. This amount may be adjusted in the event of a material

change in a payment institution's business since the previous year. If a payment institution has not completed a full year's business by the date of the calculation, the requirement shall be at least 10% of the projected fixed expenses in its business plan, subject to any adjustments as determined by the Reserve Bank.

- 14.2.2 The own funds of a payment institution may consist of one or more of the following instruments:
- a. Common equity or shares
 - b. Retained earnings
 - c. Accumulated comprehensive income
 - d. Other reserves
- 14.2.3 The payment institution must keep these own funds in a savings and/or investment type banking account that is segregated from its business and client funds, or in the initial capital account(s).
- 14.2.4 A payment institution may not use or transfer its own funds to another account without the prior written approval from the Reserve Bank.
- 14.2.5 These own funds must remain unencumbered and may not be ceded, pledged or used as collateral by the payment institution or any of its stakeholders.
- 14.2.6 If the payment institution is part of a group/conglomerate, it must ensure that its own funds are kept segregated from the group's other activities or its subsidiaries.
- 14.2.7 The Reserve Bank reserves the right to impose higher own funds requirements if it considers it essential to ensure the payment institution can meet its regulatory obligations as outlined in this Directive.
- 14.2.8 A payment institution must biannually provide the Reserve Bank with a copy of the savings or investment bank account statements for the preceding six-month period and confirm that its own funds meet the stipulated requirements.

14.3 Financial soundness

14.3.1 An applicant that is not a bank as defined in the Banks Act, must, at application, provide details of a reasonably measurable forecast budget calculation for the first three financial years. This should show its ability to employ appropriate systems, resources and procedures to operate soundly.

The details required include:

- a. an income statement and balance sheet forecast, including target scenarios, stress scenarios and base assumptions, such as volume and value of transactions, number of clients/consumers, pricing, average amount per transaction and expected profitability threshold;
- b. explanations of the main lines of income and expenses, financial debts and the capital assets;
- c. a diagram and detailed breakdown of the estimated cash flows for the next three years; and
- d. an overall forecast of the staff numbers for the next three years.

14.4 Liquidity and settlement risk management

14.4.1 A payment institution must:

- a. develop a comprehensive liquidity risk management framework commensurate with the complexity of its business activities to manage liquidity risks arising from its business operations;
- b. use effective operational and analytical tools that enable it to assess and analyse current and projected sources and uses of funds to identify, measure and monitor its liquidity requirements continually and timely;
- c. establish limits that quantify the nature and amount of liquidity risk they are willing to assume, for instance, set a minimum number of months of current and/or projected operating expenses to be covered by primary liquidity;
- d. comply with the criteria and requirements for holding a settlement account at the Reserve Bank settlement system or a designated

settlement system to settle payment obligations between itself and its counterparties;

- e. avoid conducting liquidity and maturity transformation of customer funds if it is not eligible for holding a reserve account at a settlement system;
- f. conduct its businesses in a manner that minimises failed payments which could lead to settlement failures and systemic risk;
- g. have internal policies and procedures to manage payment flows throughout the settlement day, including settlement windows;
- h. hold liquid assets that include, at a minimum:
 - i. cash;
 - ii. deposits with the Reserve Bank; or
 - iii. other transferable assets of extremely high liquidity and credit quality;
- i. settle transactions in central bank money or be backed by central bank money;
- j. hold liquid assets that are adequate to face any possible imbalance between liquid assets and liabilities under severe stressed conditions over a period of 30 days; and
- k. avoid delaying payments to accumulate or hoard liquidity which could result in the concentration of payments in certain settlement windows during the day, thus causing liquidity imbalances.

14.4.2 If it accepts funds from the public, it must ensure sufficient liquid resources to settle payment obligations with a high degree of confidence, including under a wide range of potential stress scenarios.

14.4.3 A settlement system operator must:

- a. manage the liquidity risk caused by participants' financial or operational problems;
- b. ensure participants have sufficient liquid resources through regular and rigorous stress testing to effect settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios;

- c. have clear procedures to report the stress test results to its governing body and use these results to evaluate and adjust its liquidity risk management framework;
- d. Whereby it has prearranged funding arrangements, ensure that its participants have sufficient information to understand and manage liquidity risks;
- e. use effective operational and analytical tools to measure, monitor and manage its liquidity risk continually and timely, including intraday liquidity. If a settlement system operator maintains prefunding arrangements with participants and liquidity providers, it must also identify, measure and monitor its liquidity risk from these participants and liquidity providers;
- f. ensure that participants hold sufficient liquid assets at all times to effect same-day settlement of payment obligations under various stress scenarios. Where appropriate, this must include intraday or multiday settlement. The stress scenarios must include a default of the participant and its affiliates that would result in the largest aggregate payment obligation under extreme but plausible market conditions. These assets must be held in the following manner:
 - i. cash with the Reserve Bank; or
 - ii. eligible collateral as defined in the Reserve Bank's collateral framework;
- g. ensure that participants hold additional liquid resources for extreme but plausible market conditions, in the ways defined in paragraph 14.4.3(f) or with a creditworthy financial institution in one or more of the following instruments:
 - i. committed lines of credit;
 - ii. committed foreign exchange swaps;
 - iii. committed repos;
 - iv. cash and assets with low credit, liquidity and market risks; and
 - v. investments that are readily available and convertible into cash with prearranged and funding arrangements are highly reliable, even in extreme but plausible market conditions.

- h. if settling multicurrency payments or single currency payments other than the rand, hold or ensure that participants hold liquid resources, in accordance with paragraph 14.4.3(f), in a manner defined in 14.4.3(g);
- i. have rules and procedures on settlement finality, consistent with the NPS Act provisions on settlement finality;
- j. ensure final settlement by the end of the value date at a minimum; and
- k. have rules on collateral management.

15. Scheme, clearing and settlement

15.1 Scheme

15.1.1 A payment institution, except one that provides a payment activity listed under 8 in Annexure A, must be a member of a scheme and meet the eligibility and participation criteria as set out by the relevant scheme.

15.1.2 No person may provide a scheme as defined in Annexure A, unless they are licensed and authorised by and meets the prescribed requirements outlined in this Directive.

15.1.3 The Reserve Bank must, where necessary, determine the payment institutions to which the rules of a scheme will apply.

a. If there is a conflict of rules between different scheme operators, the Reserve Bank will decide which scheme rules take precedence.

b. The scheme provider must:

- i. establish the entry, membership and exit criteria for its members;
- ii. admit members that comply with criteria referred to in 15.1.3.b.i;
- iii. make rules for membership and dispute resolution;
- iv. enforce these rules for its members; and
- v. terminate a member's participation in the scheme with the prior approval of the Reserve Bank.

a) the Reserve Bank must approve—

- i) the entry, participation and exit criteria, including any amendments to the criteria referred to in subsection 15.1.3.b.i; and

- ii) the rules and amendments to the rules referred to in subsection 15.1.3.b.iii., including a public consultation process.

15.2 Clearing

15.2.1 A payment institution that is not a bank and that provides interoperable/open-loop payment activities, except payment activity 8 in Annexure A, must be designated by the Reserve Bank as a designated clearing system participant prior to conducting/providing a payment activity in relation to clearing.

15.2.2 A PCH system operator must:

- a. establish the entry, participation and exit criteria for its clearing system participants;
- b. admit clearing system participants that comply with the criteria referred to in 15.2.2.a;
- c. make rules for participation and dispute resolution;
- d. enforce those rules in relation to its clearing system participants; and
- e. with the prior approval of the Reserve Bank, terminate admission of a participant in the clearing system.

15.2.3 The following is subject to approval by the Reserve Bank:

- a. entry, participation and exit criteria and amendments to the criteria referred to in 15.2.2.a; and
- b. rules and amendments to the rules referred to in 15.2.2.c.

15.2.4 The Reserve Bank may issue an instruction to a PCH system operator, directing the PCH system operator, to amend the rules in a particular manner to address issues identified by the Reserve Bank.

15.2.5 A payment institution must, prior to conducting/providing a payment activity in relation to clearing, comply with the entrance and participation criteria to become a clearing system participant and member of the PSMB.

15.2.6 A payment institution must conclude service agreements with a PCH system operator through which clearing will be effected.

15.2.7 Where a payment institution does not meet the PSMB membership or clearing system participant criteria, or does not conclude the PCH system operator agreements, it must appoint a clearing system participant to clear payment instructions on its behalf, provided the clearing system participant meets the indirect access sponsorship requirements prescribed by the Reserve Bank.

15.2.8 A payment institution that provides a payment activity listed under paragraph 8 in Annexure A is not required to comply with the requirements under 15.2.5 to 15.2.6.

15.3 Settlement

15.3.1 An operator of a settlement system must:

- a. establish the entry, participation and exit criteria for its settlement system participants;
- b. admit settlement system participants that comply with criteria referred to in 15.3.1.a;
- c. make rules for participation and dispute resolution;
- d. enforce those rules in relation to its settlement system participants; and
- e. with the prior approval of the Reserve Bank, terminate admission of a participant in the settlement system.

15.3.2 The following is subject to approval by the Reserve Bank:

- a. entry, participation and exit criteria and amendments to the criteria referred to in 15.3.1.a; and
- b. rules and amendments to the rules referred to in 15.3.1.c.

15.3.3 The Reserve Bank may issue an instruction to an operator of a settlement system, directing it to amend the rules in a particular manner to address issues identified by the Reserve Bank.

15.3.4 A payment institution must, prior to conducting/providing a payment activity, meet the entry and participation requirements for settlement system participants as set out in this Directive, and by the Reserve Bank settlement system operator or the designated settlement system operator as approved

by the Reserve Bank, to settle payment obligations linked to its payment activity.

15.3.5 The Reserve Bank may prescribe that a scheme and/or the PCH system operator settle the payment obligation relating to one or more of the payment activities in a designated settlement system.

15.3.6 A payment institution that is a bank that participates in a scheme or payment system that settles in the Reserve Bank settlement system must hold a settlement account and, where relevant, any other account as required by the Reserve Bank settlement system operator in the Reserve Bank settlement system, or appoint a Reserve Bank settlement system participant that will hold such accounts to settle the payment obligation on its behalf in accordance with the requirements/rules set by the Reserve Bank settlement system operator.

15.3.7 A payment institution that is either a bank or non-bank and participates in a scheme/payment system/stream that settles in the designated settlement system must hold a prefunded settlement account in the designated settlement system in accordance with the requirements/rules of the designated settlement system operator.

15.3.8 A payment institution that is a Reserve Bank settlement system participant shall have access to the intra-day liquidity in the Reserve Bank settlement system subject to the requirements and conditions set by the Reserve Bank settlement system operator.

15.3.9 A payment institution that only provides a payment activity listed under paragraph 8 in Annexure A is not required to comply with the requirements under 15.3.4.

16. Safeguarding client funds

16.1 A payment institution that provides a payment activity must safeguard client funds in a trust account maintained at a bank.

- 16.2 The Reserve Bank may permit a payment institution to additionally cover client funds through an insurance policy or another comparable guarantee. This policy must be issued by an insurance company that is not part of the same group as the payment institution. It should be payable without delay if the payment institution is unable to meet its financial obligations, for an amount equal to what would have been segregated, and meets the following requirements:
- 16.2.1 confirmation that the insurance policy or comparable guarantee from an insurance company or financial institution is provided by an entity that is not part of the same group of firms as the applicant;
 - 16.2.2 details of the reconciliation process in place to ensure that the insurance policy or comparable guarantee is sufficient to always meet the applicant's safeguarding obligations;
 - 16.2.3 duration and renewal terms of the coverage; and
 - 16.2.4 a copy of the (draft) insurance agreement or the (draft) comparable guarantee.
- 16.3 A payment institution shall not conduct a payment activity without opening a trust account in accordance with this Directive or obtaining insurance cover as provided for in 16.2.
- 16.4 A payment institution, other than a bank, which holds clients' funds must ensure to not co-mingle, at any time, the funds of any person other than the clients on whose behalf the funds are held. Where the client funds are still held by the payer payment institution and not yet transferred/paid to the payee or payee payment institution by the end of the business day following the day when the funds have been received, such funds must be segregated and deposited in the trust account.
- 16.5 Where a payment institution holds client funds in a trust account and is a designated settlement system participant that operates on a prefunded basis, it may be required to transfer a portion of the funds from the trust account to its prefunded settlement account in the designated settlement system to fulfil settlement obligations. Once transferred into its designated settlement system

participant's settlement prefunded account, such funds shall remain trust funds. The designated settlement system participant must only transfer such funds to the beneficiary designated settlement system participant's settlement account for onward payment to the beneficiary. The rules regarding segregation must be maintained as specified in 16.4 above.

- 16.6 A trust account in which relevant funds are placed must:
 - 16.6.1 be designated in such a way as to show that it is an account which is held for the purpose of safeguarding client funds in accordance with this Directive; and
 - 16.6.2 be used only for holding those funds.
- 16.7 Despite any provision in insolvency laws, no creditor, curator, resolution practitioner, liquidator or similar official of a payment institution has any recourse or right against clients' safeguarded funds. These funds are protected until all legitimate clients or their heirs and successors, or funds related to the concerned payment transactions, have been satisfied in full.
- 16.8 A payment institution shall not hold more than 50% of the total client funds in a trust account held with single bank.
- 16.9 The payment institution must keep a record of any relevant funds segregated for five years.

17. Prohibition of interest

- 17.1 A payment institution shall not earn interest or grant interest or any other benefit to a client for the period during which client funds are held in a trust account or in the payment institution's settlement account in the designated settlement system.
- 17.2 Interest accrued in the trust account or in the payment institution's settlement account in the designated settlement system shall be used under exceptional circumstances for the direct benefit of the e-money customers or client of a third-party payment provider (TPPP) and as determined by the Reserve Bank.

- 17.3 The accrued interest and charges shall be separated from the trust account or in the payment institution's account in the designated settlement system by opening an interest and charges account in respect of the account balances.
- 17.4 Subject to 17.1, a payment institution shall not use the interests accrued in the trust account or its account in the designated settlement system without written approval of the Reserve Bank.

18. Value date and availability of funds

- 18.1 A payment institution that holds the payment account of the payee and receives the payment instruction in favour of the payee must credit the payee's payment account:
- 18.1.1 within and in accordance with the clearing and settlement requirements and timelines as provided for in the NPS Act and directives, PCH agreements, settlement agreements, clearing and settlement rules, clearing and settlement operational procedures or relevant instrument/s issued by the PSMB, the PCH system operators and operators of settlement systems, as the case may be; and
- 18.1.2 in the absence of the above, no later than two business days on which a payment instruction is received, or the amount/proceeds of the payment transaction is credited to the payee's payment institution's account, unless otherwise agreed to in writing between the payee and the payee payment institution.
- 18.2 A payment institution shall ensure that the payer's payment account is debited with an amount, not earlier than and in accordance with the payer's mandate.
- 18.3 A payment institution shall ensure that the debit value date for the payer's payment account is no earlier than the point in time at which the amount of the payment transaction is debited to that payment account.

19. Unclaimed client funds

- 19.1 Any client funds held by a payment institution shall be presumed unclaimed upon the expiration of 36 months if the client, including the e-money recipient and sender, or the intended beneficiary, where applicable, does not redeem the funds, and neither the client nor the intended beneficiary responds to the respective notices sent by the money remitter at least once a month during the 36-month period.
- 19.2 A payment institution holding client funds presumed unclaimed shall relinquish the funds to the Reserve Bank within 30 days after the funds are deemed unclaimed.
- 19.3 A payment institution holding unclaimed client funds when this Directive takes effect, shall immediately inform the Reserve Bank of the unclaimed client funds and the amount held and relinquish such funds to the Reserve Bank within 30 days.
- 19.4 A payment institution that relinquishes funds to the Reserve Bank under 19.2 or 19.3 above shall retain the records concerning the relinquished funds for a minimum period of five years.
- 19.5 A person whose funds have been relinquished to the Reserve Bank in accordance with this Directive may claim the funds from the Reserve Bank from the date it received the funds.
- 19.6 No action to recover, and no other action in respect of any funds presumed unclaimed and paid in or relinquished in accordance with this Directive may be brought against the payment institution or the Reserve Bank after the sixth year following payment or relinquishing to the Reserve Bank.

20. Prohibitions and restrictions

- 20.1 A payment institution, other than a bank, is prohibited from using client funds for any credit/lending or investment activities. These funds must strictly be applied in accordance with the requirements outlined in this Directive.
- 20.2 Any activities, including credit payment instruments, extension/facility or investment activities, shall be conducted using the payment institution's funds save for initial capital and own funds prescribed in this Directive, subject to the necessary authorisations being obtained from the relevant regulatory authorities.

21. Disclosure of charges

- 21.1 A payment institution must disclose all its charges in a clear and simple manner to its clients before initiating a payment instruction/transaction. This information must be displayed prominently within the institution's premises, the premises of all its agents and online.

22. Agency arrangements

- 22.1 A payment institution may use an agent to conduct one or more payment activities on its behalf, subject to paragraph 22.2.
- 22.2 A payment institution that intends to use an agent must apply for and obtain the written approval of the Reserve Bank before commencing the agency business and comply with the agency arrangements/requirements set out in Annexure B.
- 22.3 The payment institution is accountable for the actions and omissions of its agents when those actions fall within the scope of the agency agreement.
- 22.4 The agent of a payment institution cannot perform the same payment activities for which the payment institution has been authorised.

22.5 Where the payment institution uses agents, the money remittance provider is required to ensure that the agents are listed on its website, outlets and/or marketing platforms, as such that it is visible or audible to the consumer.

23. Outsourcing arrangements

23.1 A payment institution that intends to outsource its technology platform, internal audit and risk management functions as well as operational functions, must notify the Reserve Bank in writing.

23.2 A payment institution shall not outsource an operational function if it is likely to materially impair the quality of its internal control or hinder the Reserve Bank's ability to monitor its compliance with this Directive.

23.3 An operational function is considered important if a defect or failure in its performance materially impairs:

23.3.1 the payment institution's continual compliance with the authorisation requirements; or

23.3.2 the financial performance, soundness or continuity of the payment institution's activities.

23.4 An outsourcing arrangement under this paragraph must comply with the following conditions:

23.4.1 senior management must retain accountability and must not delegate it.

23.4.2 the relationship and obligations of the payment institution towards its clients shall not be altered.

23.4.3 the outsourcing shall not amend, suspend or revoke a condition of the payment institution; and

23.4.4 any other conditions that the Reserve Bank may specify.

23.5 A payment institution must:

23.5.1 establish a service level agreement for all outsourcing arrangements; and

23.5.2 submit copies of it to the Reserve Bank within 10 days of its signing.

- 23.6 A payment institution that engages in outsourcing arrangements must provide:
- 23.6.1 a description of the manner in which the outsourced functions are monitored and controlled to avoid an impairment in the quality of its internal controls;
 - 23.6.2 the identity of the persons that are responsible for each of the outsourced activities;
 - 23.6.3 a clear description of the outsourced activities and their main characteristics;
 - 23.6.4 confirmation that the outsourcing service provider has business continuity and disaster recovery plans in place that are regularly tested;
 - 23.6.5 a copy of the draft outsourcing agreements; and
 - 23.6.6 the off-site and on-site checks that it undertakes and their frequency, at least annually, as well as a description of the outsourcing arrangements.

24. Reporting requirements

- 24.1 The payment institution must submit to the Reserve Bank any information or data relating to its assets, liabilities, income, expenditure affairs or any other matter that the Reserve Bank may require.
- 24.2 By 28 February of each year, a payment institution must submit the following data for period January to December:
- 24.2.1 the number of active clients in the past 12 months;
 - 24.2.2 aggregated annual volumes and values per payment activity processed;
 - 24.2.3 aggregated annual amounts deposited in payment accounts for the various payment activities; and
 - 24.2.4 an updated list of branches and agents, where applicable.

25. Accounting and audit

- 25.1 A payment institution must:
- 25.1.1 maintain accounting records on a continual basis and prepare financial statements that conform with generally accepted accounting practices;
 - 25.1.2 have these records and annual financial statements audited; and

25.1.3 submit the audited financial statement to the Reserve Bank within three month of the payment institution's financial year-end, or within any extended period granted by the Reserve Bank.

26. Electronic money and issuance

26.1 Issuance of e-money

26.1.1 An e-money issuer shall, in addition to the abovementioned requirements, meet the following specific requirements:

- a. enter into a written agreement with every e-money account customer for whom it opens an e-money account;
- b. upon receipt of any funds from the e-money customer, exchange the funds for e-money within and in accordance with the clearing and settlement requirements and timelines as provided for in the NPS Act and directives, PCH agreements, settlement agreements, clearing and settlement rules, clearing and settlement operational procedures or relevant instrument/s issued by the PSMB, the PCH system operators and operators of settlement systems, as the case may be;
- c. issue electronic money at par value on the receipt of funds;
- d. put in place systems to maintain accurate and complete records of e-money accounts opened, the identity of e-money customers, transactions undertaken by e-money or mobile money customers and the individual and aggregate balances held by e-money customers; and
- e. ensure that they and their agents comply with the applicable provisions of the AML/CFT/CPF legislation and the regulations/directives issued in terms of such legislation.

26.2 Transaction/load limit

26.2.1 Each e-money account is subject to an individual transaction/load limit of R5 000 per day and an aggregate monthly load limit of R50 000, unless higher limits are approved by the Reserve Bank.

26.2.2 Where an e-money customer has more than one mobile or e-money account with a particular payment institution, that payment institution must ensure the

total balance across all accounts must not exceed the limits specified in paragraph 26.2.1

26.2.3 No more than 50% of the total client funds should be held in a trust account with a single bank.

26.3 Redemption of e-money

26.3.1 E-money issuers must comply with the following requirements when redeeming the value of the e-money at the customer's request:

- a. Ensure that the contract between the e-money issuer and the e-money customer clearly and prominently state the conditions of redemption, including any related fees, and that the e-money customer is informed of these conditions before agreeing to the contract or offer.
- b. Subject the redemption to a fee only if stated in the contract and only in any of the following circumstances:
 - i. where redemption is requested before the termination of the contract;
 - ii. where the contract provides for a termination date and the e-money customer terminates the contract before that date; or
 - iii. where redemption is requested more than one year after the date of termination of the contract.
- c. Any such fee shall be proportionate and commensurate with the actual costs incurred by the e-money issuer.
- d. Where redemption is requested before the termination of the contract, the e-money customer may request redemption of the e-money in whole or in part.
- e. Where redemption is requested by the e-money customer on or up to one year after the date of the termination of the contract:
 - i. the total monetary value of the e-money held shall be redeemed; or
 - ii. where the e-money issuer carries out one or more of the payment activities and it is unknown in advance what proportion of funds is to be used as e-money, all funds requested by the e-money customer shall be redeemed.

26.4 Liquid assets requirement

26.4.1 An e-money or mobile issuer, that is not a bank, must maintain liquid assets equal to the amount of outstanding e-money issued. The liquid assets shall remain unencumbered and may take the form of:

- a. balances held at banks, approved by the Reserve Bank, after deducting therefrom any balance owed to those banks, provided that such balances shall be held separately from balances relating to any other operations of the e-money issuer; and
- b. any other liquid asset prescribed by the Reserve Bank.

26.4.2 An e-money issuer must, by no later than 16:00 South African time every day, reconcile the liquid assets held for the redemption of e-money with the amount of e-money outstanding. Any deficiencies in the amount of liquid assets held must be rectified by 12:00 the next day. A report must be made to the Reserve Bank by 16:00 South African time on the day following the discovery of any deficiency, outlining the amount of the deficiency and describing how the deficiency arose and how it has been rectified.

26.4.3 The Reserve Bank may, in the interest of protecting e-money customers, require an e-money issuer to keep its liquid assets in more than one bank or financial institution.

26.4.4 The interest earned by the e-money issuer on liquid assets under this paragraph may be applied at the discretion of the e-money issuer.

26.4.5 Records pertaining to the above liquid assets as well as reconciliations shall be made available to the Reserve Bank for inspection at any time and the confidentiality of bank deposits or accounts shall be waived.

26.5 Prohibitions/restrictions

26.5.1 An e-money issuer shall not:

- a. issue e-money unless an equal amount of funds has first been deposited into a trust account;
- b. issue e-money on credit;
- c. redeem e-money at more than face value; and
- d. utilise the client funds to engage in any credit/lending or investment activity, as outlined in paragraph 20.1.

27. Domestic money remittance

27.1 A payment institution may offer money remittance from cash, or funds in the payment account, e-money, electronic funds transfer credit and/or card sent by or received from its client, or any other payment instrument as approved by the Reserve Bank.

27.2 A money remitter must, in addition to the provisions of this Directive, comply with the provisions of this paragraph and any other requirements for money remittance that may be prescribed by the Reserve Bank.

27.3 Float and transaction limits

27.3.1 A money remitter may not maintain a float of more than R1 million per branch without prior approval of the Reserve Bank, inclusive of any stockpiled notes held directly or indirectly, as at the close of any business day.

27.3.2 A payment institution that provides single remittance transactions shall ensure that each transaction does not exceed R5 000 per day per person.

27.3.3 A money remitter must ensure that where a business relationship has been established with a client, each transaction is limited to R5 000 per day per client within a limit of R50 000 per client per calendar month.

27.3.4 Where a money remitter has more than one account with a bank, the bank must ensure that the total balance of all these accounts does not exceed the limits specified in paragraph 27.3.3.

27.3.5 A money remitter shall not permit or process transactions that appear to be deliberately split into small amounts to circumvent the transaction limits specified in paragraph 27.3.2 and 27.3.3.

27.4 Money remittance transactions

27.4.1 A money remitter must transfer to the beneficiary all funds in real time, immediately upon receipt.

27.4.2 A money remitter must always be able to demonstrate that it can reconcile the funds paid into its clients' trust account with a specific client transaction executed.

28. Third-party payments

28.1 Management of funds

28.1.1 A person providing third-party payments (i.e. a TPPP) must:

- a. be financially stable and viable to operate the business of providing payments to third persons as a going concern for a period of 12 months from the date of authorisation;
- b. transfer funds to a beneficiary in accordance with the agreement between the TPPP and its clients;
- c. when receiving funds from multiple payers to pay out the aggregated value as a single transaction to a beneficiary, record each transaction with a transaction reference number, transaction date, payer's name and surname (or registered name if the payer is a legal or juristic person), the amount in rand and the name of the relevant beneficiary; and
- d. when receiving funds from a payer to distribute as a single transaction to multiple beneficiaries, record each transaction with a transaction reference number, transaction date, beneficiary's name and surname (or registered name where the beneficiary is a legal or juristic person), the amount in rand amount and the name of the relevant payer.

28.2 Requirements for on-boarding of clients

28.2.1 A person providing payments to third persons must:

- a. conduct due diligence for the on-boarding of its clients (i.e. 'client' refers to a payer or beneficiary that has a business relationship for the provision of third-party payments with a person providing payments to third persons);
- b. prior to entering into a business relationship or agreement, at a minimum:
 - i. obtain and verify the certified copies of the business registration and/or founding documents issued by the relevant authorities;
 - ii. obtain and verify the certified copies of the identity documents of the directors, shareholders and beneficial owners;
 - iii. obtain a certified copy of the proof of physical address that is not older than three months;
 - iv. confirm that the contact details are correct; and
 - v. conduct reference checks of clients.

28.3 Technical requirements

28.3.1 A person providing payments to third persons must:

- a. ensure they have adequate technical systems in place and provide written confirmation of pre-testing these systems to the Reserve Bank before starting operations;
- b. possess systems that can technically integrate with the system of the payer or beneficiary as the case may be;
- c. guarantee that the system has transactional reconciliation capabilities to ensure accountability of all transactions;
- d. include mandatory fields for capturing transactional information that at a minimum should encompass the name of the payer, name of the beneficiary, date of transaction, transaction reference number, transaction amount and payment method;

- e. provide alternative transactional processing methods for business continuity in case of system failures; and
- f. maintain adequacy of its systems through regular system tests and upgrades.

29. Regulation, oversight and supervision

The Reserve Bank shall exercise regulation, oversight and supervision as well as compliance monitoring over a payment institution.

- 29.1 A payment institution, agent and master agent must give access to the Reserve Bank to review their systems and databases.
- 29.2 The Reserve Bank shall:
 - 29.2.1 request any information from an agent, master agent or payment institution;
 - 29.2.2 conduct inspections of the books and premises of an agent, master agent or payment institution;
 - 29.2.3 direct an agent, master agent or payment institution to take a specific action or cease a conduct;
 - 29.2.4 direct a payment institution to terminate the agency agreement; and
 - 29.2.5 direct a payment institution to take remedial action based on the conduct of an agent or master agent.
- 29.3 The Reserve Bank shall regulate, supervise and oversee persons tasked with performing functions through agency arrangements. This includes conducting supervisory on-site inspections and investigations as well as issuing directives to ensure that these functions comply with the NPS Act, this Directive and other prescribed requirements.
- 29.4 The list of agents will be published on the Reserve Bank website.

30. Supervision and compliance monitoring of payment institutions

- 30.1 The Reserve Bank may at any time conduct a supervisory on-site or off-site inspection or audit on payment institutions, in a form and manner that the Reserve Bank may determine, to promote compliance with this Directive.
- 30.2 Subject to subparagraph 30.4.1, the Reserve Bank must provide written notification to the payment institution whose business premises will be inspected, prior to conducting the supervisory on-site inspection.
- 30.3 The supervisory on-site inspection notification must specify:
- 30.3.1 date(s) of the intended supervisory on-site inspection;
 - 30.3.2 names of the Reserve Bank representatives;
 - 30.3.3 the period for which the institution will be under review; and
 - 30.3.4 any other information/documentation required for inspection purposes.
 - 30.3.5 In addition, each Reserve Bank representative must produce a letter of authority and identity document upon entry at the premises of a payment institution for verification purposes. They and not permitted to produce copies of these documents.
- 30.4 The Reserve Bank representatives may enter any premises:
- 30.4.1 without prior consent for business premises operated by payment institutions;
 - 30.4.2 with prior consent for a private residence, if the business of the payment institution is reasonably believed to be conducted there; or
 - 30.4.3 without prior consent and notice to any payment institution if the entry is authorised by:
 - a. a warrant in terms of paragraph 30.11; or
 - b. a senior staff member of the Reserve Bank, if the senior staff member on reasonable grounds believes that:
 - i. a warrant will be issued if applied for, in terms of paragraph 30.11;
 - ii. the delay in obtaining the warrant is likely to defeat the purpose for which entry of the premises is sought; and

- iii. it is necessary to enter the premises to conduct the inspection and search the premises.

30.5 While on the premises, the Reserve Bank representatives, for the purpose of conducting the inspection, have the right to access any part of the premises and to any document or item on the premises, and may do any of the following:

30.5.1 open or cause to be opened any strongroom, safe, cabinet or other container in which the Reserve Bank representatives reasonably suspect there is a document or item that may be relevant to the inspection;

30.5.2 examine, make extracts from and copy any document on the premises;

30.5.3 question any person on the premises to find out information relevant to the inspection;

30.5.4 require a person on the premises to produce to the Reserve Bank representatives any document or item that is relevant to the inspection and is in the possession or under the control of the person;

30.5.5 require a person on the premises to operate any computer or similar system on or available through the premises to:

- a. search any information in or available through that system; and

- b. produce a record of that information in any format that the Reserve Bank representatives reasonably require;

30.5.6 if not practicable or appropriate to make a requirement in terms of subparagraph 30.5.5, operate any computer or similar system on or available through the premises for a purpose set out in that subparagraph; and

30.5.7 take possession of, and take from the premises, a copy of any document or item that may afford evidence of a contravention of this Directive or may be relevant to the inspection.

30.6 The Reserve Bank representatives must give the person apparently in charge of the premises a written and signed receipt for the copies of documents or items taken as mentioned in paragraph 30.5.

30.7 A payment institution from whose premises a document or item was taken as mentioned in paragraph 30.5, or its authorised representative, may, during

normal office hours and under the supervision of the representatives of the Reserve Bank, examine, copy and make extracts from a document or item.

30.8 A person who is questioned or required to produce a document or information during a supervisory on-site inspection may object to do so if they believe that their response, the document or the information may potentially incriminate them.

30.9 On such an objection, the Reserve Bank representative conducting the supervisory on-site inspection may insist on compliance, in which case the person must answer the question or produce the requested document or information.

30.10 A judge or magistrate may issue a warrant under this paragraph if:

30.10.1 the Reserve Bank submits a written application, setting out, under oath or affirmation, why it is necessary to enter and inspect the premises; and

30.10.2 the magistrate or judge believes, from the information provided under oath or affirmation that:

- a. there are reasonable grounds to suspect that a contravention of the Directive has occurred, is occurring or may occur;
- b. entering and searching the premises is likely to yield information pertaining to the contravention; and
- c. entering and searching those premises is reasonably necessary for the investigation.

30.10.3 A warrant issued under this paragraph must be signed by the issuing judge or magistrate.

30.11 Reserve Bank representatives that enter the premises under the authority of a warrant must:

30.11.1 if no one is apparently in charge of the premises when the warrant is executed, fix a copy of the warrant on a prominent and accessible place on the premises; and

30.11.2 on reasonable demand from anyone present, produce the warrant or a copy of it.

- 30.12 Payment institutions must retain full responsibility and accountability relating to their regulatory, supervisory and oversight duties and may not delegate accountability to another institution, agent or service provider. This includes compliance with the NPS Act, all regulatory instruments issued in terms of the NPS Act and other financial sector laws.
- 30.13 Payment institutions must ensure that the Reserve Bank can effectively regulate, supervise and oversee their payment activities, system, data and operations.

31. Variation, suspension and withdrawal of authorisation

- 31.1 The Reserve Bank may vary the authorisation of a payment institution, including:
- 31.1.1 varying a condition of the authorisation, or adding a condition;
 - 31.1.2 changing the name of the payment institution; and
 - 31.1.3 changing the payment activities to which the authorisation relates.
- 31.2 The Reserve Bank may issue a notice to a payment institution to suspend its authorisation for a specified period if it is satisfied, based on all available information that:
- 31.2.1 the payment institution no longer meets the requirements outlined in this Directive;
 - 31.2.2 the suspension is necessary to prevent a contravention of the NPS Act.
- 31.3 The Reserve Bank may withdraw the authorisation of a payment institution if the payment institution:
- 31.3.1 submitted misleading and false information in its application;
 - 31.3.2 no longer complies with the NPS Act and the licensing and authorisation requirements;
 - 31.3.3 engages in payment activities that threaten the stability, efficiency and integrity of the NPS; and
 - 31.3.4 fails to use its authorisation within 12 months after it was granted.

- 31.4 Prior to the Reserve Bank varying, suspending or revoking a licence, it must:
 - 31.4.1 notify the payment institution of the proposed action and the reasons for it; and
 - 31.4.2 invite the payment institution to make submissions on the matter and give it a reasonable period to do so.
- 31.5 The period referred to in paragraph 31.4.2 must be at least one month.
- 31.6 The Reserve Bank need not comply with paragraph 31.4.1 and 31.4.2 if the payment institution has applied for the proposed action to be taken.

32. Conclusion

- 32.1 This Directive is not exhaustive and may be supplemented and/or amended from time to time.
- 32.2 All participants that provide domestic payment activities listed in Annexure A are obliged to act in accordance with this Directive. Any contravention of this directive is an offence in terms of section 12 of the NPS Act.
- 32.3 This Directive will become effective within three months and six months for those already authorised, designated and/or registered to allow for transitional arrangements.
- 32.4 Participants that are uncertain as to whether their current and/or future business practices are aligned with this Directive must initiate discussions with the Reserve Bank's National Payment System Department to clarify such uncertainty.

Transitional provisions

1. A payment institution, including a Reserve Bank settlement system participant, a clearing system participant, designated and/or authorised in terms of the NPS Act, that is a member of the PSMB and already provides the payment activities listed in Annexure A prior to the effective date of this Directive, is required to obtain authorisation in accordance with this Directive within six months of its publication.
2. Any person registered as a TPPP with the PSMB must obtain authorisation under this Directive within six months of its publication.

Any enquiries or clarification concerning this Directive may be addressed to:

The Head: National Payment System Department

South African Reserve Bank
P O Box 427
Pretoria
0001

OR emailed to npsdirectives@resbank.co.za

Annexure A: Payment activities

	Payment activity	Definition and description
1.	Acquiring of payment transaction	Contracting with a payee to accept and process payment transactions which result in a transfer of funds to the payee.
2.	Card credit payment instruction	A payment instruction resulting in the credit of funds to a payment account linked to a card.
3.	Electronic money	Electronically stored monetary value issued on receipt of funds and represented by a claim on the issuer, which is generally accepted as a means of payment by persons other than the issuer and is redeemable for physical cash or a deposit into a payment account on demand. This includes mobile money where an electronic wallet service allows users to store, send and receive money using their mobile phone.
4.	Execution of payment transactions	Execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or another payment service provider. It includes the following subcategories: <ul style="list-style-type: none"> • Execution of debit orders, including once-off direct debits and authenticated collections. • Execution of payment transactions through a payment card or similar device. • Execution of credit transfers, including standing orders.
5.	Faster payments	Providing an electronic service in which both the transmission of the payment message and the availability of funds to the payee occur in real time or near-real time, on a basis that the service is available 24 hours a day and 7 days a week.
6.	Issuing of payment instruments	Contracting with a payer to provide a payment instrument to initiate payment instruction.
7.	Provision of payment account or store of value	Providing an account or store of value held in the name of one or more payer or payee which is used for the execution of payment transactions. It includes the following subcategories: <ul style="list-style-type: none"> • Payment account type A – an account provided by an entity that accepts deposits as defined in section 1(1) of the Banks Act and referred to in section 2(1)(e) of the FSR Act. • Payment account type B – an account provided by an entity that provides credit as defined in section 1(1) of the FSR Act and Section 1 of the National Credit Act 4 of 2005, or with a facility to provide credit.

		<ul style="list-style-type: none"> • Payment account type C – an e-money account not linked to bank account or credit line.
8.	Provision of third-party payment	<p>Subcategories:</p> <ul style="list-style-type: none"> • Payee service provider – accepting funds or the proceeds of payment instructions from multiple payers on behalf of a beneficiary. • Payer service provider – accepting funds or the proceeds of payment instructions, from a payer to make payment on behalf of that payer to multiple beneficiaries.
9.	Money remittance	<p>A service for the transmission of funds (or any representation of monetary value), with or without any payment accounts being created in the name of the payer or the payee, where—</p> <p>(a) funds are received from a payer for the sole purpose of transferring a corresponding amount to a payee or to another payment institution acting on behalf of the payee; or</p> <p>(b) funds are received on behalf of, and made available to, the payee.</p> <p>Subcategories:</p> <ul style="list-style-type: none"> • Cash-in, cash-out account service, based on a contractual relationship. • Cash-in, cash-out account service involving a single instruction or transaction.
10.	Clearing	The exchange of payment instructions.
11.	Settlement	The discharge of settlement obligations.
12.	Provision of a scheme	Providing a set of formal, standardised and common binding rules governing the relationship between payment institutions or members of a scheme to provide payment instruments for the transfer of funds, or making and receiving payments, between or by end-users.
13.	Participation in a scheme	Participation in a scheme as admitted by a scheme in terms of its entry and membership criteria.

Annexure B: Use of agents, branches or entities to which activities are outsourced

1. General

Where a payment institution intends to provide payment activities through an agent it shall provide the following information to the South African Reserve Bank (Reserve Bank):

- a. details of the legal name and address of the agent;
- b. where applicable, the unique identification code or number of the agent.
- c. a description of the internal control mechanisms that will be used by the agent to comply with the obligations in relation to money laundering (ML) and terrorist financing (TF), to be updated without delay in the event of material changes;
- d. the identity of directors and persons responsible for the management of the agent to be used in the provision of payment services and evidence that they meet fit-and-proper requirements as outlined in paragraph 10;
- e. payment services to be provided through the agent;
- f. the proposed geographical coverage of the agent over a three-year period;
- g. the due diligence policy and procedures on the agent and the due diligence report on the agent;
- h. the IT systems, the processes and the infrastructure that are used by the agents to perform activities on behalf of the payment institution;
- i. the selection policy, monitoring procedures and agents' training;
- j. copies of all draft agency agreements;
- k. a risk assessment report of the operations to be performed through the agent including the mitigating measures to be adopted to control the identified risks;
- l. an internal audit report regarding internal controls to be used for agency business and for any master agent;
- m. the ML/TF policies and procedures as they relate to agency business, including Know Your Customer (KYC) procedures;
- n. the operational policies and procedures of the payment institution, including those relating to monitoring and enforcing compliance of agents and master agents with all requirements under this Directive;
- o. a policy document on how the payment institution will address the risk of the agent overselling or overcharging; and
- p. the full incentive structure for an agent and master agent associated with every service provided, including the agent fee and revenue-sharing structure.

2. Information verification by the Reserve Bank

- a. Prior to the Reserve Bank approving the agent, the Reserve Bank shall, if it considers that the information provided to it is incorrect, take further action to verify the information.

- b. If, after taking action to verify the information, the Reserve Bank is not satisfied that the information provided to it is correct, it shall refuse to approve the use of the agent and shall inform the payment institution.

3. Requirements of agency agreement

3.1 An agency agreement shall, at a minimum:

- a. define the rights and responsibilities of both parties (i.e. agent and payment institution);
- b. set the scope of work to be performed by the agent and specify that the payment institution is responsible and liable for the actions or omissions of an agent providing the services on its behalf, even if the action has not been authorised in the agreement but relates to the agency business;
- c. specify the actions that are permissible;
- d. specify that the agents shall operate against prefunded accounts only;
- e. set the agent and master agent remuneration and any revenue-sharing structure, including incentives and bonuses;
- f. state that any outsourced service is subject to regulatory approval by the Reserve Bank;
- g. state that an agent shall not perform management functions, make management decisions, or act or purport to act on behalf of management or as an employee of the payment institution;
- h. state that an agent or master agent or an employee of an agent or master agent has no claim to be treated as an employee of the payment institution;
- i. specify that the agent shall ensure the safe-keeping of all relevant records not already captured on the platform and ensure that the records are, at regular pre-specified intervals, moved to the payment institution who shall ensure the safe-keeping of these records for at least five years;
- j. state that records and data relating to a client of the payment institution and the transactions that are collected or generated by the agent or master agent, whether from the clients, payment institution or other sources, are the property of the payment institution and shall be kept confidential;
- k. state that the agent or master agent is bound to complete confidentiality regarding the clients and their transactions;
- l. allow unrestricted access to the Reserve Bank, all internal systems, information, data and documents of the agent or master agent relating to the agency business;
- m. stipulate that an agent or master agent may not subcontract its contractual obligations to a third party without the payment institution's consent and the Reserve Bank's approval; and
- n. establish a protocol for changing the terms of the service contract, stipulations for default and termination of the contract as well as for dispute resolution.

4. Responsibilities of the payment institution and master agent

4.1 A payment institution or master agent shall:

- a. define a contingency plan to mitigate any significant disruption, discontinuity or gap in the functions of the agent;
- b. prohibit an agent from charging any additional fee to consumers/clients for services rendered by the agent on behalf of the payment institution beyond the fees prescribed and advertised by the payment institution;
- c. conduct adequate compulsory on-board and ongoing training of agents and ensure that agents are well trained to offer knowledgeable support to clients; and
- d. conduct regular monitoring of an agent to ensure that the services provided by the agent are safe and reliable and meet the requirements of this Directive.

5. Agent eligibility and due diligence

5.1 The payment institution shall consider the following information in assessing the eligibility of a prospective agent or master agent:

- a. criminal record in matters relating to finance, fraud, honesty or integrity;
- b. negative information in credit bureaus;
- c. business experience and track record, where applicable;
- d. the prospective master agent shall demonstrate financial soundness and cash handling capabilities, arrangements for security and internal control in respect of operational risks; and
- e. any other relevant matter.

5.2 A payment institution shall have clear and well-documented policies and procedures for conducting an agent due diligence. The procedures shall at a minimum, include:

- a. new agent take-on procedures;
- b. initial due diligence as well as regular due diligence checks to be performed at specified intervals; and
- c. a list of early warning signals and corrective actions.

5.3 An agent due diligence shall clearly specify roles and responsibilities of various functions and individuals within the business of the payment institution regarding the management and supervision of the agent.

6. Appointment of a master agent

6.1 A payment institution shall provide the Reserve Bank with the following information in respect of the master agent within 30 days of the appointment of the master agent:

- a. information about the master agent and the business organisation of the master agent, including the name, identification and business registration number of the agents under the master agent;
- b. the physical location, global positioning system co-ordinates, postal address, email address and telephone number of the head office and any other offices or agent points;
- c. a description of the commercial activities of the master agent for the past 12 months before the date of the application;
- d. a copy of the agency agreement stating any variation in the terms and conditions from the standard agency agreement and assigning reasons for any variations;
- e. the due diligence policy in respect of the master agent and new agent take-on procedures;
- f. a copy of the standard agency agreement under which the master agent contracts an agent on behalf of the payment institution;
- g. an internal audit report by the payment institution regarding the internal controls of the master agent in relation to the agency business;
- h. AML and CFT policies and procedures of the master agent as the policies and procedures relate to agency business, including KYC procedures;
- i. agent operational policies and procedures, including those in respect of monitoring and enforcing compliance by agents with all requirements under this Directive;
- j. the payment activity to be provided by the master agent and the transaction limits;
- k. the incentive structure for the agent, managed by the master agent, associated with the service, agent fee and revenue-sharing structure; and
- l. any other information that the Reserve Bank may require.

7. Appointment of an agent

7.1 A payment institution shall provide the Reserve Bank with the following information about an agent within 30 days of the appointment of the agent:

- a. information about the agent and the business organisation of the agent, including the names of all persons and their identification or business registration numbers;
- b. the physical location, global positioning system co-ordinates, email address and telephone number;
- c. a description of the commercial activities of agent for the past 12 months before the date of the application;
- d. a copy of the agency agreement stating any variation in the terms and conditions from the standard agency agreement and assigning reasons for any variations;
- e. the payment activity to the provided by the agent and the transaction limits;
- f. the incentive structure for the agent, managed by the master agent, associated with the service, agent fee and revenue-sharing structure; and
- g. any other information that the Reserve Bank may require.

8. Exclusivity agency agreement

8.1 A payment institution shall not sign an exclusive agreement with an agent.

8.2 An agent may enter into an agreement with more than one payment institution.

9. Termination of agency agreement

9.1 A payment institution shall terminate an agent agreement and relationship where the agent:

a. is convicted of an offence involving:

i. fraud,

ii. dishonesty, or

iii. other financial impropriety;

b. as a juristic person, is being dissolved, wound up or declared insolvent by a court;

c. as a sole proprietor, dies or becomes mentally incapacitated;

d. transfers, relocates or ceases to operate at the place of business without the prior written consent of the payment institution; or

e. contravenes any provision of the NPS Act or this Directive; and

f. introduces unacceptable levels of risk in terms of the payment institution's risk management framework.

9.2 Where an agency agreement is terminated, the payment institution shall:

a. publish a notice of the termination in the area/location where the agent operates; and

b. inform the Reserve Bank of the termination within 10 days.

9.3 The payment institution shall obtain the Reserve Bank's approval to use agents.

10. Notification of changes

10.1 A payment institution that intends to introduce a material change in the services of an agent shall obtain the approval of the Reserve Bank.