



PEM value proposition

To address the needs of an ever-changing landscape, the SARB also placed specific focus on the modernisation of the NPS within their Strategy 2030

SARB Strategy 2030 – payments modernisation focus

Payments Modernisation Strategic Focus



Strategic focus area 1:
Deliver low and stable inflation.



Strategic focus area 2:
Safeguard the stability of the financial system.



Strategic focus area 3:
Enhance the resilience, effectiveness and accessibility of payments.

PEM is a tangible expression of SFA 3 and aims to modernise the NPS

1

Move towards a new state, a higher equilibrium:

PEM aims to improve competition, innovation and efficiency across the payments value chain.

2

NPU serves as a public resource:

Encourage the broad adoption of straightforward, quick, cost-effective and secure digital payment solutions.

3

Shift from cash dependency to inclusive digital payments:

Encourage the broad adoption of straightforward, quick, cost-effective and secure digital payment solutions.



Through the SARB's strategic programme [PEM], a new state is being pursued, which may have macro-financial impacts. Shifts to digital payments have the potential to increase **GPD growth by 0.5%**.

The focus on modernisation started in 2018, when the SARB NPSD set out to achieve 9 goals to enhance the safety, efficiency and accessibility of the NPS

Vision 2025

Enhance the safety, efficiency and accessibility of the national payment system in a manner that promotes competition and minimises risk to the payments ecosystem by leveraging technological developments to extend the availability of digital payment services to all sectors of society while meeting domestic, regional and international requirements for the benefit of all members of South African society

Vision 2025

9 NPSD Vision 2025 goals



A clear and transparent regulatory and governance framework



Transparency and public accountability



Financial stability and security



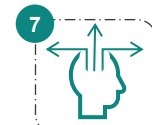
Promoting competition and innovation



Cost-effectiveness



Interoperability



Flexibility and adaptability



Regional integration



Financial inclusion

Therefore, SARB launched PEM to address the identified challenges within the payments ecosystem

PEM drivers of change and NPU transformation

South Africa's payments ecosystem faces several critical challenges including:

- Lack of Interoperability and fragmentation
- Aging infrastructure
- Slow innovation and adoption
- High costs to consumers and businesses
- Persistent cash dependency
- Limited regional and cross-boarder integration
- Lack of full adoption of the FPS

Drivers of Change



To address these the NPS Transformation will focus on:

Implementing regulatory reform to open market access

Modernising the RTGS system for domestic and regional resilience

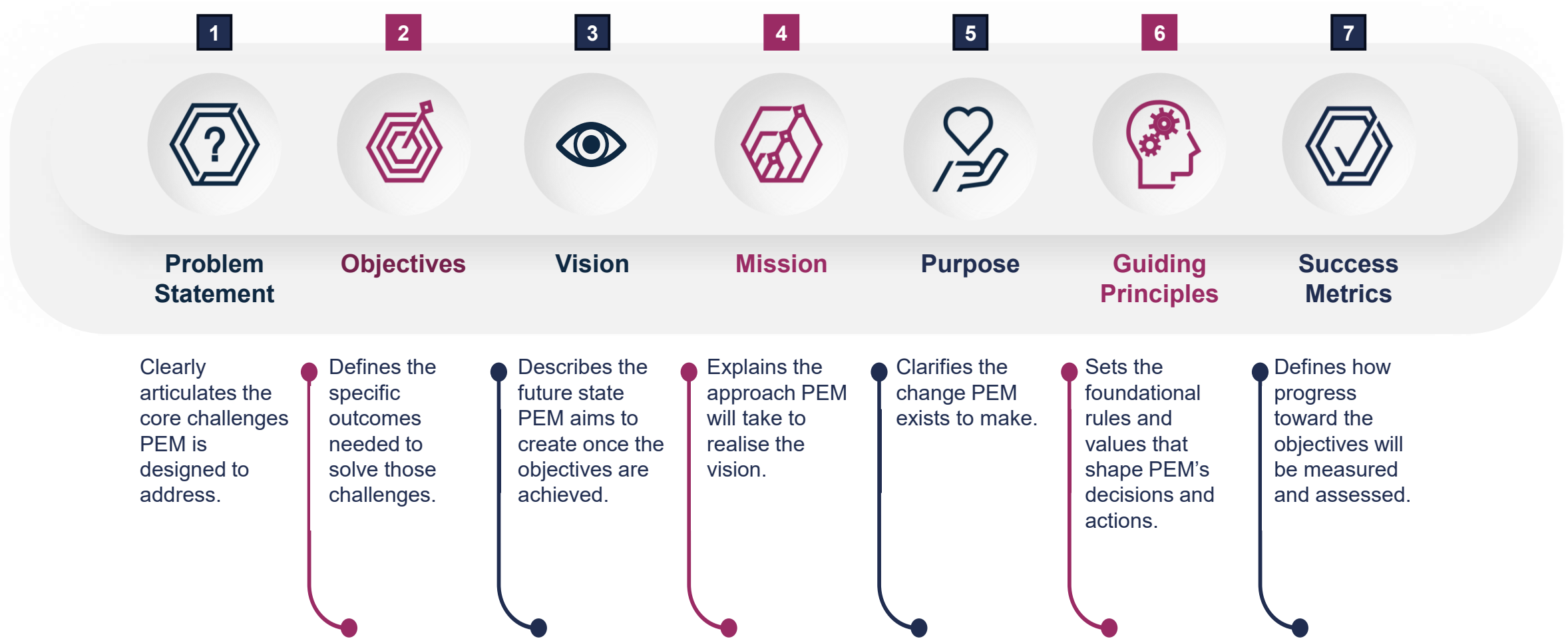
Shifting to a central bank-led approach that prioritises inclusion

Optimising the FPS to enable stakeholder participation and encourage successful adoption

NPS Transformation

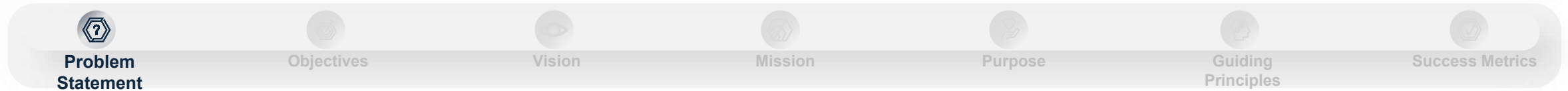
From Problem to Impact, this describes the overview of the PEM Programme where each element is clearly defined and flows into the next

Description of Value Proposition Elements



Understanding the payments ecosystem challenges PEM must overcome to enable progress

Problem Statement



Problem Statement

“ South Africa lacks equitable access to safe, responsive and affordable domestic and cross-border digital payment options for all sectors of society.

Elaboration on equitable and responsive

“ **Equitable**
current solutions are not catering for everyone (links to deeper financial integration and broad access).

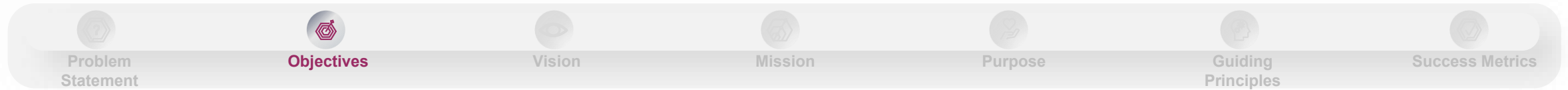
“ **Responsive**
solutions are not necessarily catering towards the diverse needs of the population.

Elaboration of the problem statement

“ Within South Africa, its financial institutions, regulators and diverse population operate on fragmented and outdated national payment systems. The lack of interoperability is reinforced by market-driven incentives that favour maintaining existing structures, incremental technological updates and high costs. This prevents the local economy from achieving deeper financial integration, faster economic growth, and broad access to affordable, instant payment services, further constraining effective regional interaction.

Defining the specific outcomes PEM must deliver to solve the challenges identified

Objective



Red Dot¹



Adoption and usage of fast, simple, affordable and secure digital payments.

Objectives

01 **Financial Inclusion**

Contribute to **financial inclusion** for all population segments through the widespread adoption of affordable digital payments.

02 **NPU Infrastructure**

Establish a **modern, flexible and efficient National Payments Utility (NPU)** to operate modern national payment infrastructure to enable the market to deliver cost-effective digital payment solutions

03 **Fair Participation**

Expand fair participation to promote competition and innovation within the digital payment ecosystem.

04 **Legal & Regulatory Certainty**

Collaborate to establish a **clear and transparent regulatory and supervisory framework** for the National Payment System.

05 **Stability and Security**

Contribute to **financial stability and security** through establishment of a national fraud and risk management capability and sustainable digital payments.

06 **Trust**

Enable trusted **cross-sectoral credential sharing and authentication for payment security** and broader financial access.

07 **Interoperability**

Enable **interoperability** across the digital payments ecosystem through standardisation and a unified payments infrastructure.

08 **Data Insights**

Enable **data insights** to drive innovation and risk management for payments.

09 **Cross-border**

Collaborate to **enable seamless regional cross-border payments** and global integration.

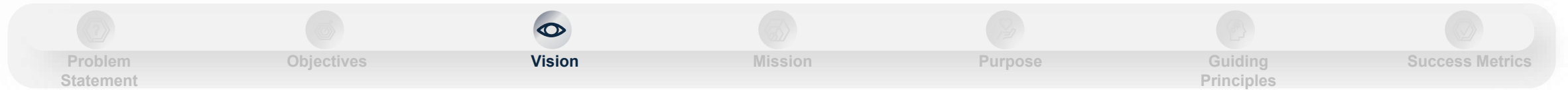
10 **Industry Governance**

Facilitate implementation of **industry governance** to promote transparency and accountability.

Note 1) Summary of the all the objectives

PEM imagines a future where secure, affordable digital payments strengthen economic opportunity for all

Vision



Vision

“ A trusted, efficient and **inclusive** payments ecosystem that is responsive to the needs of a modern economy. At the core sits a **robust**, public interest-driven National Payments Utility (NPU) that provides **modern** domestic and regional central infrastructure. Cash dependency is reduced, especially among underserved segments, through broader access to secure and affordable digital payments.

Elaboration on inclusive, modern and robust

“ **Inclusive**
Everyone, including individuals and SMMEs, can access and use quality financial services that meet their needs

“ **Modern**
Built using current, up-to-date technology, future-ready, and able to support innovations.

“ **Robust**
The system is strong, reliable, secure, and able to withstand failures or threats

PEM's mission is to enable secure, fast and affordable digital payments through ecosystem-wide modernisation

Mission

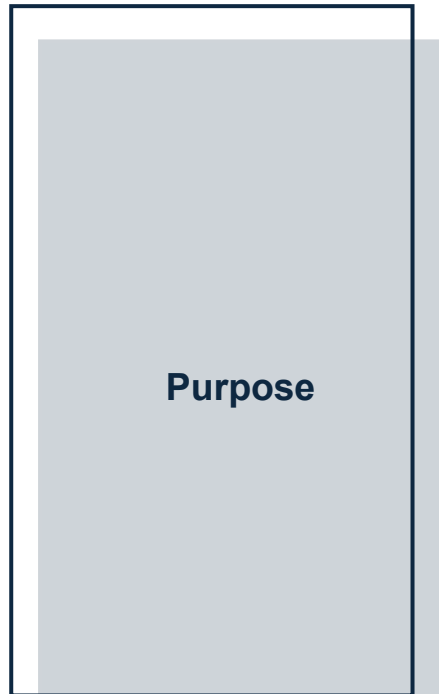
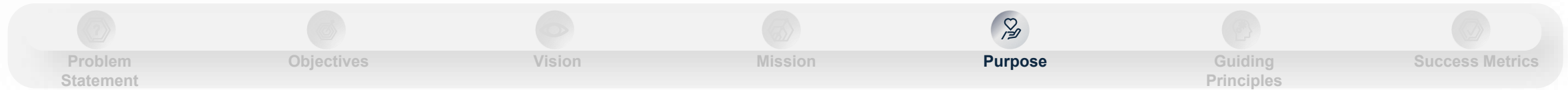


Mission

“ To modernise South Africa’s payment ecosystem by fostering transparency and competition, transforming infrastructure for efficiency, resilience and interoperability, and promoting inclusive access to innovative, fast, simple, affordable, and secure digital payment solutions, while contributing to the development and enhancement of specific regional clearing and settlement systems.

PEM's purpose is to ensure every South African can access fast, simple and secure digital payments

Purpose



“ To accelerate South Africa's digital economic transformation and regional integration by providing South Africa with fast, simple, affordable and secure digital payments

The Value Proposition defines how PEM delivers meaningful, differentiated value to the industry

Summary of Value Proposition



Problem Statement

South Africa lacks equitable access to safe, responsive and affordable domestic and cross-border digital payment options for all sectors of society.



Objective

Adoption and usage of fast, simple, affordable and secure digital payments ('Red Dot').



Purpose

To accelerate South Africa's digital economic transformation and regional integration by providing South Africa with fast, simple, affordable and secure digital payments.



Vision

A trusted, efficient and inclusive payments ecosystem that is responsive to the needs of a modern economy. At the core sits a robust, public interest-driven National Payments Utility (NPU) that provides modern domestic and regional central infrastructure. Cash dependency is reduced, especially among underserved segments, through broader access to secure and affordable digital payments.



Mission

To modernise South Africa's payment ecosystem by fostering transparency and competition, transforming infrastructure for efficiency, resilience and interoperability, and promoting inclusive access to innovative, fast, simple, affordable, and secure digital payment solutions, while contributing to the development and enhancement of specific regional clearing and settlement systems.

PEM operates according to principles designed to drive consistency, accountability and long-term impact

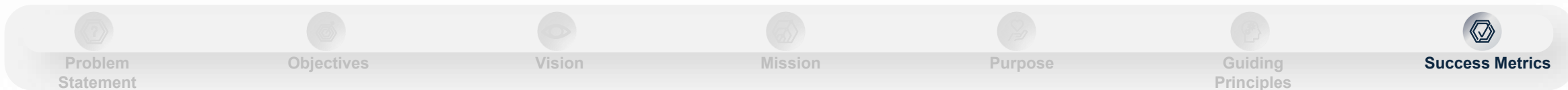
Guiding Principles



PEM establishes measurable indicators that demonstrate how objectives translate into real-world progress

Extract from success metric

NB: These are illustrative and should be confirmed with the relevant business cases



PEM Objective

Metric

Potential Targets (2030)

1 Contribute to **financial inclusion** for all population segments through the widespread adoption of affordable digital payments



1. Cash in circulation as a percentage of GDP
2. Percentage split in cash vs digital transactions
3. Number of digital transactions
4. Increased access points for digital payments by banks and non-banks
5. Reduce population percentage of unbanked and underbanked

1. Downward or stable trend of cash
2. Progressive shift from cash to digital payments (50% yoy increase of digital payments)
3. X digital (rail specific) transactions per month
4. 100% of Economically Active Population (EAP) able to access at least 2 digital channels
5. Reduce unbanked and underbanked population

2 Establish a **modern, flexible and efficient National Payments Utility (NPU)** to enable the market to deliver **cost-effective** digital payment solutions.



1. Percentage split in cash vs digital transactions
2. Pricing parity of digital transactions

1. Progressive shift from cash to digital payments
2. Free transactions for consumers and transaction costs for participants not exceeding costs of specific values

3 **Expand fair participation** to promote competition and innovation within the digital payment ecosystem.



1. Successful implementation of new regulatory reform(s)
 - Licensing – Authorisation Framework
 - Direct participation exemption notice for non-banks
 - NPS Bill promulgation
2. Percentage adoption and usage of fast payment systems
3. Bank and non-bank participation in clearing and settlement

1. One or more implementations of a new regulatory reform
2. Percentage growth or annual target for FPS usage
3. New clearing and settlement non-bank participants onboarded

Although PEM was initiated by the SARB, its execution requires collaboration of the entire payments ecosystem to drive its intended change

Executing the PEM Programme

PEM Initiation

- SARB **initiated** the PEM Programme
- It sets **direction** and policy framework
- It provides **regulatory** guidance

➤ SARB catalyses change but doesn't control all levers

The Catalyst



Stakeholder Role

Example

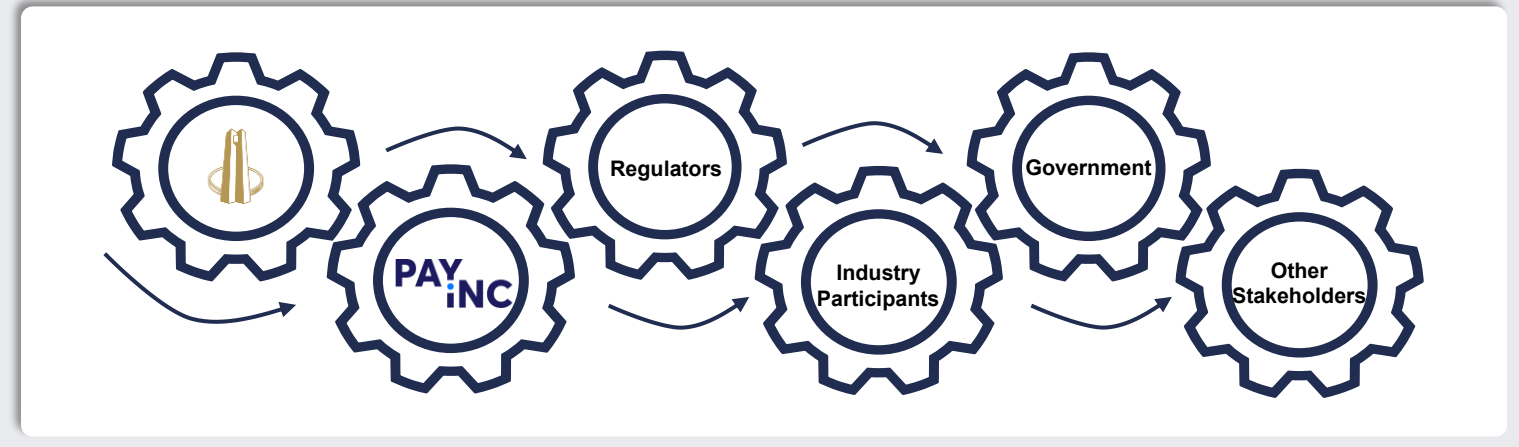
- The SARB is committed to promoting financial inclusion for all population segments and will continue to play a **leading role in guiding and enabling initiatives** that support this national priority.

PEM Execution

- All ecosystem players must participate, each contributing their capabilities and infrastructure
- Implementation needs coordinated effort, investment, and readiness across the value chain, while ecosystem actions ultimately drive adoption and determine PEM's impact

➤ Full implementation depends on the ecosystem, which controls the operational and commercial levers

The Ecosystem



- Industry Participants and PayInc as the NPU, alongside other appointed stakeholders, will be **accountable for the development, implementation, and operationalisation** of financial inclusion measures **mandated** by the National Treasury.

The complexity of PEM requires complex industry change, a phased delivery methodology and a set of guiding principles for stakeholder communication

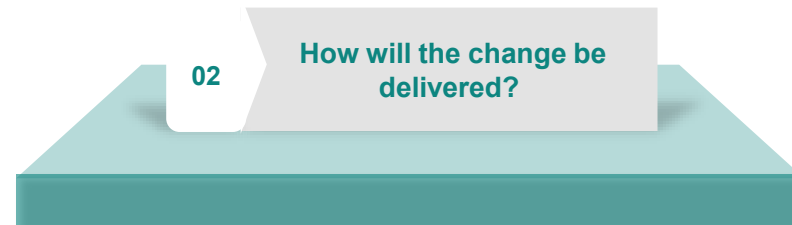
Change management methodology and principles

The Disequilibrium-Elevated Equilibrium Theory and practices also underpin this approach and suits the nature of this change.



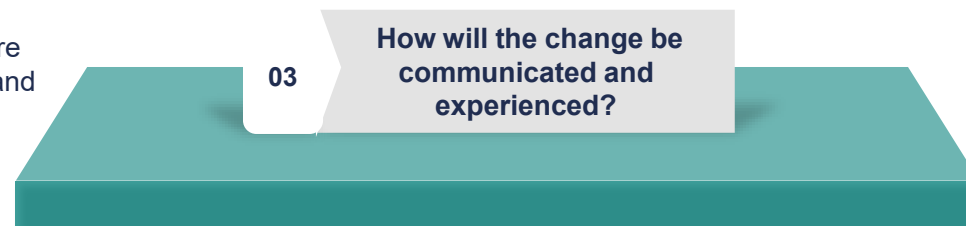
- Disequilibrium:** Current state is disrupted by a change force or driver
- Tension and Threshold:** Pressure mounts until a tipping point is reached
- Emergence and Stabilisation:** New patterns form and begin to take hold
- Elevated Equilibrium:** A new, higher-functioning stable state is achieved

The PEM change approach is practical, people-centric, and tailored to the complexity of the payments' ecosystem.



- Assess the change:** Understand context, stakeholders, and readiness
- Plan the change:** Develop strategies, plans, and communications
- Manage the change:** Execute engagement, training, and support activities
- Sustain the change:** Reinforce adoption, measure outcomes, and embed new ways of working

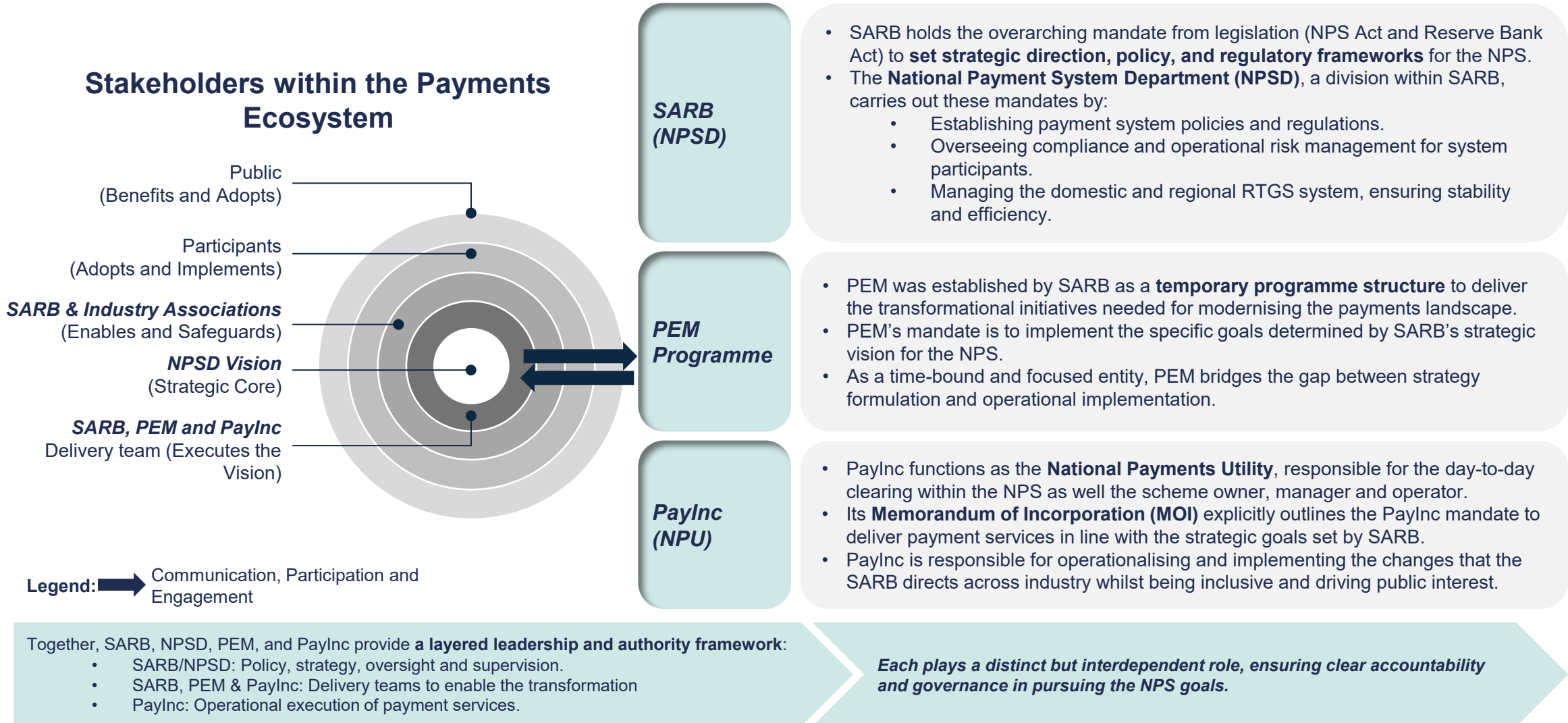
A set of guiding principles will ensure every interaction is clear, targeted and trust building.



- Clarity over complexity:** Use plain language and analogies
- Proactive myth-busting:** Address misconceptions early
- Value-driven messaging:** Link to tangible benefits (security, cost, resilience)
- Stakeholder-centric approach:** Tailor messages for banks, merchants, consumers, regulators
- Transparency and trust:** Emphasis privacy and governance safeguards

Mandates and roles of SARB, NPSD, PEM, and PayInc in delivering the National Payment System's strategic objectives

Mandate and Roles of PayInc, PEM and SARB NPSD in Delivering the NPS Goals



Achieving change requires clarity of purpose and strong leadership throughout the transition

Suggested principles of regulatory leadership

Strong SARB and PayInc Leadership, ownership and oversight



The SARB must provide clear, consistent and active leadership throughout the transition:

- Set strategic direction, regulatory expectations and timelines.
- Exercise proactive oversight to ensure industry alignment.
- Intervene decisively where progress stalls or misalignment arises.

Clear role definition and regulatory certainty



A seamless transition requires unambiguous mandates across the ecosystem:

- Licensed schemes (e.g. PayInc) own rulemaking, scheme governance and participant requirements.
- Operators deliver processing, technology and day-to-day operations.
- Historical regulatory and rulemaking roles are progressively retired or reassigned.

Transparency, communication and managed migration to scheme construct



The SARB must provide clear, consistent and active leadership throughout the transition:

- Publish transition timelines, roles and updates.
- Clearly articulate the timetable for transferring specific functions.
- Promote open communication between the SARB, schemes, operators and industry participants.
- Use formal, time-bound migration programmes with clear deliverables.
- The industry must demonstrate full cooperation and disciplined execution under the SARB's guidance.