

**SOUTH AFRICAN RESERVE BANK
NOTICE XX OF 2025**

BANKS ACT, 1990 (ACT NO. 94 OF 1990)

Designation by the Prudential Authority of specific activities conducted in the national payment system which shall be deemed not to constitute ‘the business of a bank’ under paragraph (cc) in section 1(1) of the Banks Act, 1990 (Act No. 94 of 1990), as amended

The Prudential Authority hereby designates, with the approval of the Minister of Finance, under the definition of ‘the business of a bank’ in section 1(1), paragraph (cc) of the Banks Act, 1990 (Act No. 94 of 1990), as amended, that specific payment activities in the national payment system, as set out in paragraph 2 of this Exemption Notice, shall be deemed not to constitute ‘the business of a bank’, subject to the conditions set out in paragraph 4 of this Exemption Notice.

This Exemption Notice comes into effect on a date determined by the Reserve Bank as the implementation date of the regulatory framework set out in paragraph 4.1.1(c) (the effective date).

Fundi Tshazibana

Chief Executive Officer: Prudential Authority

Date: XX

SCHEDULE

1. Definitions

In this Exemption Notice, unless context indicates otherwise, the words and expressions used shall have the same meaning as assigned to them in the Banks Act, 1990 (Act No. 94 of 1990), as amended, and the National Payment System Act, 1998 (Act No. 78 of 1998), as amended.

Similar expressions shall have corresponding meanings.

In this schedule, the words listed in paragraph 1 shall have the following meaning:

‘Acquiring of payment instructions’ means a payment service provided by a payment institution contracting with a payee to accept and process payment instructions, which results in a transfer of funds to the payee.

‘Banks Act’ means the Banks Act, 1990 (Act No. 94 of 1990), as amended.

‘Beneficiary service provider’ means a person who accepts money or proceeds of payment instructions, as a regular feature of that person’s business activity, from multiple payers on behalf of a beneficiary.

‘Clearing’ has the same meaning as defined in the National Payment System Act, 1998 (Act No. 78 of 1998), as amended.

‘Closed-loop payment system or payment activity’ means a payment system or payment activity that is not interoperable and is provided or conducted by a single service provider for intended use within a limited network or ecosystem, and both the payer and the payee who are clients of the service provider participate in the same payment system or payment activity provided by the service provider, excluding:

- a. on-us transactions that are in the open-loop payment system where both the payer and the payee are clients of the same entity; and
- b. gift cards, mall and airtime vouchers, loyalty programmes, prepaid cards or instruments issued solely for the purchase of goods and services from the issuing entity and which are not redeemable for cash.

‘Exemption Notice’ is more fully described in paragraph 2 below.

‘Exempted payment activities’ means payment activities defined in paragraph 2, subject to the conditions stipulated, as contained herein.

‘Financial Sector Regulation Act’ means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), as amended.

‘Funds’ means a monetary claim on a party acceptable to the payee in the form of cash, a balance of payment account or credit to an account or credit of an account held in the books of the Reserve Bank or designated settlement system.

‘Interoperable’ means the technical or legal compatibility that enables a system or mechanism to operate seamlessly and to be used in conjunction with other systems or mechanisms. Interoperability allows participants within payment systems or between different payment systems to clear and settle payment instructions within or between payment systems without the need to participate in multiple systems.

‘Issuing of payment instruments’ means the provision of clients with payment instruments that allow clients to make a payment or transfer funds electronically.

‘National Payment System Act’ means the National Payment System Act, 1998 (Act No. 78 of 1998), as amended.

‘Open-loop payment system’ means payment systems that are operated by multiple payment service providers that provide interoperable payment products and services by enabling end users to make payments at participating merchants that accept payment instruments.

‘Money remittance’ means 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:

- 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.

Subcategories:

- cash-in, cash-out service based on a contractual relationship; and
- cash-in, cash-out service involving a single instruction or transaction.

‘Payee’ means a natural or juristic person who is the recipient of client funds which have been the subject of a payment instruction.

‘Payer’ means a natural or juristic person who holds a payment account and allows a payment instruction in respect of client funds from that payment account, or, where there is no payment account, a natural or juristic person who gives a payment instruction regarding client funds.

‘Payer service provider’ means a person that accepts money or proceeds of payment instructions, as a regular feature of that person’s business, from a payer to make payment on behalf of that payer to multiple beneficiaries.

‘Payment account’ means an account or store of value that is used for the transfer of funds.

‘Payment activity’ means any activity contemplated in paragraph 2 hereof.

‘Payment initiation’ means an electronic service to initiate a payment instruction at the request of the payer with respect to a payment account held at another payment account service provider.

‘Payment instruction’ means an instruction as defined in the National Payment System Act.

‘Payment institution’ means a person that is authorised and/or designated and/or registered and/or exempted where applicable in terms of the Exemption Notice or regulatory framework and regulated under the National Payment System Act and regulatory framework to perform a payment activity listed in paragraph 2.

‘Payment instrument’ means a tool or mechanism, physical or electronic, which enables or initiates the transfer of funds from a payer to a payee to make or receive a payment.

‘Prudential Authority’ means the Authority established in terms of section 32 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), as amended.

‘Reserve Bank’ means the South African Reserve Bank.

‘Scheme’ means a set of formal, standardised and common binding rules governing the relationship between payment institutions or an agreed-upon arrangement between payment institutions defining the functional, business, legal and technical rules for executing payments using a particular instrument.

‘Settlement’ as defined in the National Payment System Act.

‘Store of value’ means funds stored in a facility provided by a bank or non-bank.

2. Payment activities

2.1 For the purposes of this Exemption Notice, payment activities include the following when conducted as a regular feature of business:

No.	Payment activity
1.	Issuing of electronic money or store of value
2.	Issuing of payment instruments
3.	Acquiring of payment instruction
4.	Provision of third-party payment Subcategories: a) Beneficiary service provider b) Payer service provider
5.	Money remittance
6.	Clearing
7.	Settlement

3. Exemption

3.1 The Prudential Authority hereby exempts the payment activities defined in paragraph 2 above from the definition of ‘the business of a bank’ as outlined in the Banks Act, as amended, subject to the conditions specified in paragraph 4 below.

4. Conditions

4.1 The exemption provided in paragraph 3.1 above is subject to the following conditions:

4.1.1 The Reserve Bank shall allow the exempted payment activity to be conducted either in the closed-loop or in the open-loop payment systems as prescribed below:

- a. Regulate, supervise and oversee the exempted payment activity and persons conducting it in terms of the National Payment System Act and other applicable legislation.
- b. Require that, where necessary or as per the National Payment System Act, the exempted payment activity be integrated into an existing payment clearing house (PCH) or, in the absence of a suitable PCH, that a new PCH be established prior to such an exempted payment activity being conducted in the open-loop payment systems.
- c. Develop and implement the appropriate authorisation, regulatory, supervisory, exit and oversight framework for the exempted payment activities and persons conducting such activities, including the prudential framework and adequate safeguards for customer funds, after consultation with the Prudential Authority.
- d. Require persons conducting the exempted payment activity in the open-loop payment system to comply with the National Payment System Act, the directives and notices issued under it, applicable payment system management body (PSMB) clearing rules, agreements, regulatory frameworks, policies as well as entry, exit and participation requirements issued by the Reserve Bank and the PSMB, including applicable rules, agreements and requirements of schemes, PCH system operators and settlement system operators.
- e. At all times, require the payment instructions and obligations relating to the exempted payment activity to be cleared and settled within and in accordance with the clearing and settlement requirements and timelines as provided for in the National Payment System Act, 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.
- f. Approve new and existing entry, participation and exit criteria of operators of clearing and settlement systems and managers of schemes.
- g. Register closed-loop payment systems and activities.

- h. Require any person other than a bank proposing/wishing to conduct a payment activity in paragraph 2 after the effective date of this Exemption Notice to be sponsored by a payment institution to provide or conduct such exempted payment activity, unless the person that is not a bank is authorised or registered in terms of the regulatory framework.
- i. Limit the exempted payment activity to payment purposes only and prohibit any credit activities, including credit payment instruments, extension/facility or investment activities in respect of the exempted payment activity. The clients of the payment institution shall not earn interest.
- j. Develop and impose requirements for the redemption of the funds pooled in a store of value.
- k. Prohibit a person other than a bank from conducting the exempted payment activity:
 - i. in the closed-loop payment system without sponsorship by a payment institution or registration with the Reserve Bank, subject to any conditions and requirements that the Reserve Bank may impose; or
 - ii. in the open-loop payment system unless that a person other than a bank:
 - complies with the regulatory framework set by the Reserve Bank for the exempted payment activity.

5. Amendment and withdrawal of exemption

- 5.1 The Prudential Authority may amend or withdraw this Exemption Notice by notice published on the website of the Prudential Authority.

6. Short title and commencement

- 6.1 This Exemption Notice is called the 'Exemption notice for payment activities in the national payment system' and comes into operation on the effective date.

Fundi Tshazibana

Chief Executive Officer: Prudential Authority

Date: XX