SOUTH AFRICAN RESERVE BANK

Directive for conduct within the national payment system in respect of issuing and acquiring payments for goods and services provided by offshore merchants

Directive No. X of 2026

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1. Background

1.1 In terms of section 10(1)(c) of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act), the South African Reserve Bank (SARB) 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 78 of 1998 (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. The National Payment System Department (NPSD) within the SARB has the authority to perform the functions provided in the SARB Act and the NPS Act.

1.2 The national payment system (NPS) encompasses the entire payment process, from payer to beneficiary, including 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 in making payments and exchanging value.

1.3 In terms of section 12(1) of the NPS Act, the SARB may, from time to time and after consultation with the payment system management body (PSMB), the Payments Association of South Africa, 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 the SARB considers appropriate.

1.4 The issuing of a directive may require a person to cease or refrain from engaging in an act or course of conduct, to remedy a situation, or perform such acts as may be necessary to comply with the directive and effect a

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change.

1.5 Misclassification of domestic transactions

1.5.1 A growing concern within the NPS is that payments for goods and services provided or delivered within the Republic of South Africa (SA) are being processed as cross-border transactions. This occurs where the issuing and/or acquiring entities involved in the transaction are not registered or incorporated in SA. As a result, the transaction is classified and processed as a cross-border transaction, even though the underlying economic activity takes place domestically.

1.5.2 Common examples include the cross-border acquiring of payments for domestic e-hailing services or accommodation and the cross-border issuing of payment instruments, such as travel cards, used for domestic transactions.

1.5.3 Misclassifying and processing domestic payments as cross-border transactions presents material challenges for the NPS. It can undermine the SARB's efforts to safeguard and preserve domestic payment processing capabilities, restrict effective regulatory oversight of retail payments within SA, and impose undue costs on customers by charging international transaction fees for domestic goods and services.

1.6 Emerging cross-border payment facilitator models

New cross-border payment facilitator models are emerging where payment instructions for offshore merchants that sell goods or services, including digital products and services, in SA are aggregated and acquired in/to SA. Under these models, cross-border payment facilitators are not acquirers. Instead, they operate under sponsorship arrangements with an authorised acquirer, which remains responsible for acquiring, settlement compliance and regulatory obligations. These models bring about efficiencies for customers and merchants and promote competition, although they also

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introduce risks. The SARB's position is that these models should be enabled, provided that the associated risks, including domestic payment-related risks, are appropriately addressed.

2. Potential risks: Emerging cross-border payment facilitator models

2.1 Transparency, disclosure and merchant identity risk

2.1.1 The use of cross-border payment facilitator models may result in the aggregation of transactions in a manner that obscures the identity, location and the nature of the underlying merchant.

2.1.2 In certain instances, domestic acquirers may not have full visibility of the merchant or sub-merchant involved in a transaction, thereby increasing the risk of inaccurate merchant classification and reducing transparency across the payment chain.

2.1.3 This may adversely affect the ability of domestic issuers, domestic acquirers and regulators to assess transaction risk, enforce applicable limits and ensure compliance with regulatory requirements.

2.2 Financial crime and regulatory compliance risk

2.2.1 The SARB further notes that cross-border payment facilitators may be utilised to circumvent or weaken compliance with cross-border regulatory requirements, including customer due diligence, know-your-customer, anti-money laundering, counter-terrorist financing and balance of payments reporting obligations.

2.3 These risks may be exacerbated where cross-border payment facilitators perform multiple roles within the payment value chain, including acting as payment processor, facilitator, marketplace or merchant. The mitigation measures to address the above potential risks are addressed in the Directive.

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3. Definitions

3.1 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. The abbreviations and acronyms listed below apply only to this directive. They are defined for clarity and consistency and do not relate to any other industry usage or interpretation. The abbreviations and acronyms below must be interpreted in accordance with the definition provided herein, unless the context indicates otherwise:

3.1.1 'Acquiring of payment instructions' means a payment activity provided by a payment institution to a payee or payer to accept and process payment instructions, which results in a transfer of funds to the payee, irrespective of the payment instrument used by the payer.

3.1.2 'Acquiring sponsorship arrangements' means an arrangement in terms of which a domestic acquirer sponsors or allows a cross-border payment facilitator to acquire payment instructions on its behalf.

3.1.3 'Authorised Dealer' means a person authorised as such by the SARB's Financial Surveillance Department in terms of the Exchange Control Regulations, 1961.

3.1.4 'Clearing system participant' means a bank, a mutual bank or a cooperative bank, a designated clearing system participant or a branch of a foreign institution, as contemplated in the NPS Act.

3.1.5 'Cross-border payment facilitator' means an entity registered in SA as a limited liability company under the Companies Act, 2008 (Act No. 71 of 2008), which acts as a domestic collection, payment aggregation and acquiring intermediary, through sponsored arrangements with a domestic acquirer, on behalf of offshore merchants.

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3.1.6 ‘Cross-border transaction’ means a payment for goods or services provided or offered by offshore merchants to South Africans or in SA, where the goods or services are offered or procured outside SA and delivered either physically outside SA, to SA or digitally.

3.1.7 ‘Customer’ means a person or entity that enters into an agreement with an issuer to obtain and use an SA-issued payment instrument.

3.1.8 ‘Domestic acquirer’ means a clearing system participant or an entity authorised by the SARB NPSD to acquire payment instructions.

3.1.9 ‘Domestic issuer’ means a clearing system participant or an entity authorised by the SARB NPSD to issue payment instruments.

3.1.10 ‘Domestic payment instrument’ means a payment instrument that is issued to a customer by a domestic issuer to perform transactions within SA, although this payment instrument may be enabled to perform cross-border transactions.

3.1.11 ‘Domestic transaction’ means a payment for domestic goods or services provided by a domestic or offshore merchant, delivered or performed in person or digitally, whether directly or through a partnership, outsourcing, agency arrangement or other third-party arrangement, using a domestic payment instrument within SA.

3.1.12 ‘Exchange Control Circular No. x/2026’ means the cross-border retail e-commerce regulatory framework issued by the SARB’s Financial Surveillance Department.

3.1.13 ‘Foreign acquirer’ means an entity that is located and registered offshore and licensed or authorised by an offshore authority to acquire payment instructions relating to the purchase of goods and/or services.

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3.1.14 ‘Foreign issuer’ means an entity that is located and registered offshore and licensed or authorised by an offshore authority to provide payment instruments to customers to purchase goods and/or services.

3.1.15 ‘Issuing of payment instruments’ means the provision of payment instruments to customers that allow them to make a payment or transfer funds electronically.

3.1.16 ‘Marketplace’ means a platform that enables merchants or service providers to offer their goods and/or services to consumers and receive payment for such goods and/or services.

3.1.17 ‘Offshore merchant’ means a merchant or a provider of a marketplace that is located and registered offshore and provides goods and/or services to a South African consumer.

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

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

3.1.20 ‘Payment instruction’ means an instruction to transfer funds or make a payment.

3.1.21 ‘Payment instrument’ means a physical or electronic tool or mechanism that is used to initiate a payment instruction enabling the transfer of funds from a payer to a payee.

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4. Purpose

4.1 The purpose of this Directive is to:

4.1.1 ensure that payments for goods and services provided domestically to or in SA are acquired domestically and effected using domestically issued payment instruments; and

4.1.2 provide for cross-border payment facilitators operating under an acquiring sponsorship model.

5. Scope

5.1 This Directive applies to:

5.1.1 domestic issuers;
5.1.2 domestic acquirers; and
5.1.3 cross-border payment facilitators operating under an acquiring sponsorship model.

5.2 For purposes of this Directive, 'payment instrument' includes all payment instruments authorised for issuance within the Republic of South Africa.

6. Position of the SARB

6.1 **Innovations:** The SARB supports innovation within the NPS that improves efficiency and promotes competition, provided that such innovation does not negatively impact the safety, transparency or financial stability of the NPS.

6.2 **Cross-border payment facilitator participation approach in the NPS:** Cross-border payment facilitators operating under an acquiring sponsorship arrangement are permitted to operate in the NPS under such an arrangement, subject to compliance with this Directive and Exchange Control

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Circular No. x/2026 (Circular No. x/2026).[1] However, the SARB NPSD may in future require cross-border payment facilitators to obtain authorisation as domestic acquirers if their scale, transaction volumes or market concentration increase to a level that could pose risks to the integrity, efficiency or stability of the NPS.

6.3 **Domestic issuing and acquiring:** Any entity that provides or offers domestic issuing of payment instruments and/or acquiring of payment instructions, referred to as the 'domestic issuer' and the 'domestic acquirer' respectively, falls within the NPS regulatory ambit.

6.4 **Policy objectives of the Directive**

6.4.1 The Directive strengthens the integrity, effectiveness and transparency of the NPS by addressing the misclassification of domestic transactions as cross-border transactions. By requiring that payments for goods and services provided within SA are issued and acquired domestically, the Directive enhances the SARB NPSD's ability to exercise effective oversight over domestic retail payments. This approach mitigates regulatory arbitrage, supports the development and sustainability of domestic payment infrastructure, and reduces inappropriate costs imposed on consumers through international transaction fees for domestic goods and services.

6.4.2 In addition, the Directive enables innovation and competition by legally accommodating cross-border payment facilitator models operating under acquiring sponsorship arrangements. By leveraging domestic acquirers as accountable sponsoring institutions, as outlined in paragraph 7 and 8, the Directive balances efficiency and market development with robust risk management and financial crime controls. This Directive allows new business models to operate within a clear regulatory perimeter, promotes consistency with international practices, and ensures that the cross-border payment

[1] SARB, 'Draft Exchange Control Circular: Cross-border retail e-commerce regulatory framework'.

facilitation activity does not undermine financial stability or the integrity of the NPS.

7. Directive

7.1 *Issuing of payment instruments*

7.1.1 Domestic payments instruments must be issued by a domestic issuer.

7.1.2 A foreign issuer may not issue domestic payment instruments, unless such foreign issuer is also a domestic issuer.

7.1.3 The domestic issuer must comply with the NPS Act, directives, Payment Clearing House (PCH) rules, PSMB regulatory framework as well as relevant clearing and settlement rules and agreements.

7.1.4 A domestic issuer must:

a. clearly distinguish between domestic and cross-border transactions; and
b. ensure transparent disclosure of all applicable fees to customers.

7.2 *Acquiring of payment instructions*

7.2.1 No person shall acquire domestic transactions, unless such person is a domestic acquirer.

7.2.2 No foreign acquirer shall acquire domestic payment instructions, unless such foreign acquirer is a domestic acquirer.

7.2.3 The domestic acquirer must comply with the NPS Act, directives, PCH rules, PSMB regulatory framework as well as relevant clearing, settlement rules and agreements.

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7.2.4 A domestic acquirer may acquire payment instructions issued or received in SA for cross-border transactions either directly or through a cross-border payment facilitator.

7.2.5 The rules of a scheme or PCH system operator shall not prevent a domestic acquirer from acquiring payment instructions issued or received in SA for cross-border transactions, either directly or through a cross-border payment facilitator.

8. Acquirer sponsorship arrangement

Approval/registration process

8.1 A domestic acquirer seeking to sponsor a cross-border payment facilitator must obtain prior written approval from the SARB NPSD for the acquiring sponsorship arrangement. The domestic acquirer must submit to the SARB NPSD an application, which includes the following:

8.1.1 **General information and sponsorship description**:

a. an application describing the details i.e. name and contact details of the cross-border payment facilitator;
b. a certified copy of the Registration Certificate (Form CoR14.3) issued by the Companies and Intellectual Property Commission, as proof that the cross-border payment facilitator has been registered in terms of section 14 of the Companies Act, 2008 (Act No. 71 of 2008);
c. the registered name and nature of business of the offshore merchant to be onboarded by the cross-border payment facilitator;
d. a copy of the domestic acquirer's policy for offshore merchant acquiring;
e. a draft acquiring sponsorship arrangement; and
f. a description of the business model and the scope of cross-border payment facilitator activity, including a payment flow description and flowchart covering transaction initiation, routing, clearing and

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settlement, including merchant settlement. The description must also set out the roles and responsibilities of the domestic acquirer and the cross-border payment facilitator, together with an identification of the key risks arising from the proposed arrangements and the measures implemented to mitigate such risks.

8.1.2 **Safeguarding and settlement arrangements**: Details of the arrangements implemented to safeguard client funds held on behalf of the offshore merchant, including the segregation of such funds from the cross-border payment facilitator's own funds. The application must also describe the processes and mechanisms for settlement, including timing, settlement flows, and the roles and responsibilities of all parties involved.

8.1.3 **Financial Surveillance compliance**: Where the domestic acquirer is also an Authorised Dealer, confirmation of compliance with the Financial Surveillance Department's requirements must be provided, in particular Circular No. x/2026. Where the domestic acquirer is not an Authorised Dealer, the domestic acquirer must describe the arrangements in place to ensure compliance with the Financial Surveillance Department's requirements.

8.1.4 **Amendments to the submitted information**: The sponsoring acquirer must inform and notify the SARB NPSD, in writing, of any amendments to the information submitted in the application within **thirty (30) calendar days** of such change.

8.2 The domestic acquirer must submit the application information to NPSDIRECTIVES@resbank.co.za.

8.3 *Requirements for acquiring sponsorship arrangements between a domestic acquirer and cross-border payment facilitator*

8.3.1 The domestic acquirer must comply with the following requirements in respect of the acquiring sponsoring arrangement:

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a. enter into a written acquiring sponsorship arrangement agreement with a cross-border payment facilitator;
b. ensure that the written acquiring sponsorship agreement does not include exclusivity clauses;
c. ensure that the SARB NPSD has access to all relevant information in respect of the cross-border payment facilitator for purposes of regulation, oversight and supervision;
d. be fully accountable for acquiring, settlement, scheme compliance and all applicable regulatory obligations in respect of transactions processed through the cross-border payment facilitator, including ensuring that the cross-border payment facilitator complies with the requirements set out in this Directive;
e. comply with Circular No. x/2026, where the domestic acquirer is also an Authorised Dealer. Where the domestic acquirer is not an Authorised Dealer, the domestic acquirer must have necessary arrangements in place to ensure compliance with the Circular No. x/2026;
f. develop and maintain an acquiring sponsorship policy, which must contain the requirements for acquiring and processing payments for offshore merchants acquired through the cross-border payment facilitator;
g. transaction flows*:* ensure that transaction initiation, routing, clearing and settlement, including merchant settlement, as well as payment message data transparency comply with applicable scheme and PCH rules, this Directive and all other applicable South African laws and regulations, including those relating to anti-money laundering, counter-terrorist financing and proliferation financing, sanctions screening and reporting obligations*;*
h. consumer protection measures: ensure that appropriate consumer protection measures are in place in respect of payment instructions issued or received in SA linked to/in respect of cross-border payment transactions, including measures addressing the transparency of fees and charges, clear disclosure of exchange rates, effective dispute resolution and chargeback mechanisms, complaint-handling

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arrangements and the fair treatment of customers, to mitigate risks of customer detriment arising from cross-border payment activities;

i. merchant onboarding: ensure that legitimate registered offshore merchants onboarded by the cross-border payment facilitator comply with the domestic acquirer's policy for offshore merchant acquiring, in order for the domestic acquirer to meet scheme rules for merchant onboarding, due diligence and ongoing monitoring;

j. merchant funds segregation: ensure the segregation of funds by the cross-border payment facilitator. Where a cross-border payment facilitator receives settlement funds on behalf of offshore merchants, the cross-border payment facilitator must:

    i. segregate offshore merchant funds from its own funds and any funds of a third-party payment provider regulated under the NPS Act;

    ii. maintain such funds in a separate, segregated South African bank account;

    iii. not invest or otherwise use offshore merchant funds, except as expressly permitted in the merchant agreement; and

    iv. ensure that no interest is payable to the offshore merchants on balances held on behalf of offshore merchants.

k. obtain relevant information: ensure the ability to obtain, upon request and within 24 hours, any information from the cross-border payment facilitator relating to the acquiring sponsorship arrangements;

l. ensure that no transaction amount limits are imposed, either by the domestic acquirer or the cross-border payment facilitator, on specific payment methods, except where such limits are prescribed by the domestic issuer or the Exchange Control Circular No. x/2026; and

m. monitor compliance by the cross-border payment facilitator with its acquiring sponsorship policy, scheme and PCH rules, this Directive and all applicable South African legislative and regulatory requirements.

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9. Reporting requirements

9.1 The sponsoring acquirer must submit the following information in respect of the cross-border payment facilitator to the SARB NPSD biannually, at the end of January and July of each year:

9.1.1 the number of onboarded cross-border payment facilitators;
9.1.2 the number of onboarded offshore merchants associated with each cross-border payment facilitator;
9.1.3 registered names and nature of businesses of the onboarded offshore merchants; and
9.1.4 aggregated transaction volumes and values processed per offshore merchant.

10. SARB regulation, oversight and supervision

9.1 SARB NPSD shall regulate, oversee and supervise domestic issuers, domestic acquirers and cross-border payment facilitators. This includes conducting supervisory inspections and investigations as well as issuing directives to ensure that domestic acquirers and cross-border payment facilitators comply with the NPS Act, this directive and any other requirements that the SARB NPSD may prescribe.

9.2 The SARB NPSD may impose any conditions it may deem necessary.

11. Conclusion

11.1 This directive repeals and replaces the 'Directive for conduct within the national payment system in respect of domestic card transactions, Directive No. 1 of 2020'.

11.2 This directive is not exhaustive and may be supplemented and/or amended from time to time.

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11.3 All participants that issue and acquire domestic payment instruments 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.

11.4 This directive will become effective within six months of publication to allow for transitional arrangements.

11.5 Participants that are uncertain whether their current and/or future business practices are aligned with this directive should contact the SARB NPSD for clarification.

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
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or the following email address: npsdirectives@resbank.co.za

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