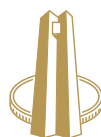


# NATIONAL PAYMENT SYSTEM DEPARTMENT REGULATORY AND OVERSIGHT REPORT

1 April 2021 – 31 March 2022



SOUTH AFRICAN RESERVE BANK





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This report is the eighth edition of the *National Payment System Department Regulatory and Oversight Report*. The report provides an update on the execution of South African Reserve Bank's mandate relating to the national payment system as well as an overview of the regulatory and oversight activities and initiatives during the period 1 April 2021 – 31 March 2022.

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Produced by the South African Reserve Bank

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# GENERAL OVERVIEW

## 1.1 Introduction

The South African Reserve Bank (SARB) hereby issues the eighth edition of the annual *National Payment System Department Regulatory and Oversight Report* for the period April 2021 to March 2022. The report provides an update on relevant information relating to the operations, regulation and oversight of the national payment system (NPS).

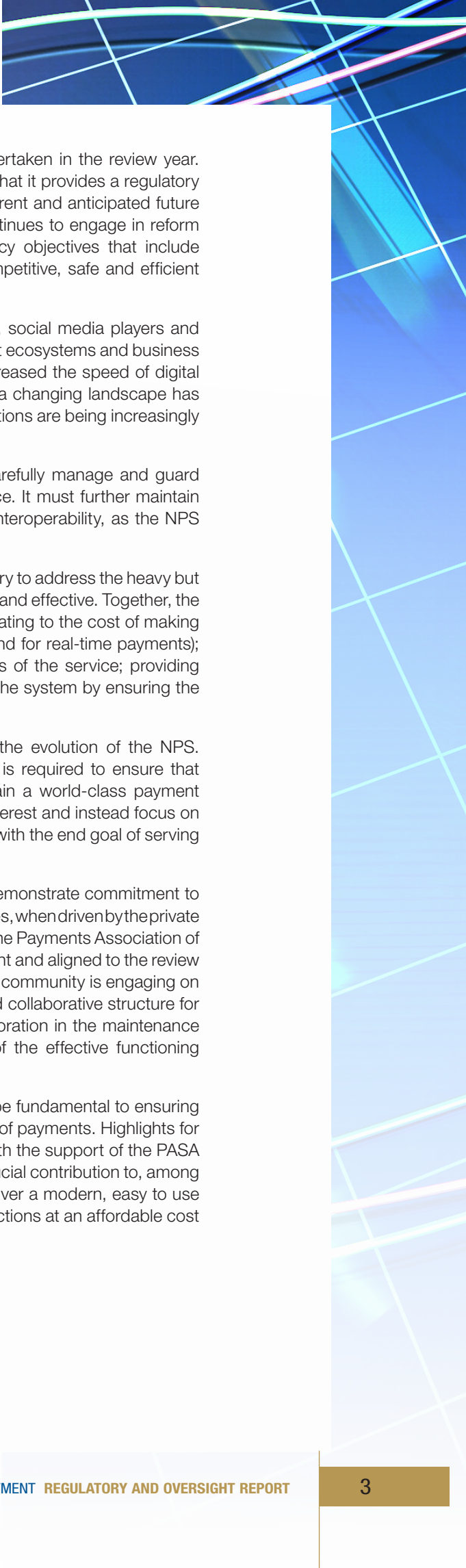
Despite the impact of the coronavirus disease 2019 (COVID-19) pandemic that raged during the reporting period, the payment system ecosystem has remained resilient. In response to the changing payment landscape as well as the challenging economic environment, the SARB published several policy papers to gather insights from stakeholders to guide the adoption and development of appropriate policy positions to continue to protect the integrity of the payment system, in alignment with the goals of the SARB's National Payment System Framework and Strategy: Vision 2025 document (Vision 2025).

This report provides a progress update on the initiatives geared towards promoting the safety, efficiency and overall resilience of payment systems as well as payment system financial market infrastructures (FMIs). Further, the report shares feedback on the journey relating to the modernisation of the payment system infrastructure through reform initiatives in both the retail and wholesale payment environments.

During the year under review, the payment system infrastructure and settlement operations remained effective, with no major incidents or events reported. The SARB continued to participate in, as well as coordinate efforts in, the Southern African Development Community (SADC) region through the execution of, among other things, identifying strategic focus areas relating to enhancing financial inclusion and fostering the financial integrity of transactions in the region.

Additionally, and in support of the aspirations of the recently launched African Continental Free Trade Area (AfCFTA), the SARB is actively participating in exploratory initiatives aimed at integrating payment systems across regions of the African continent. In this regard, a continental project that was initiated by the Association of African Central Banks (AACB) and is being coordinated by the AACB Secretariat is taking shape, with established execution structures tasked with the delivery of identified deliverables. In this regard, regular updates are provided to the AACB Governors.





Satisfactory progress has been achieved in several initiatives undertaken in the review year. The SARB, in its role as the regulator of the NPS, strives to ensure that it provides a regulatory framework that enables the provision of services that meet the current and anticipated future needs of the financial system. The payment industry therefore continues to engage in reform initiatives in the NPS, with many of these aligned to public policy objectives that include financial inclusion, consumer protection as well as enabling a competitive, safe and efficient payment system.

In the current environment, new entrants such as digital start-ups, social media players and fintechs have entered the payment landscape, building new payment ecosystems and business models to enhance their value proposition. COVID-19 has also increased the speed of digital adoption and rapidly advanced digital payment solutions. Further, a changing landscape has emerged where crypto assets, mobile wallets and social media solutions are being increasingly adopted across the globe.

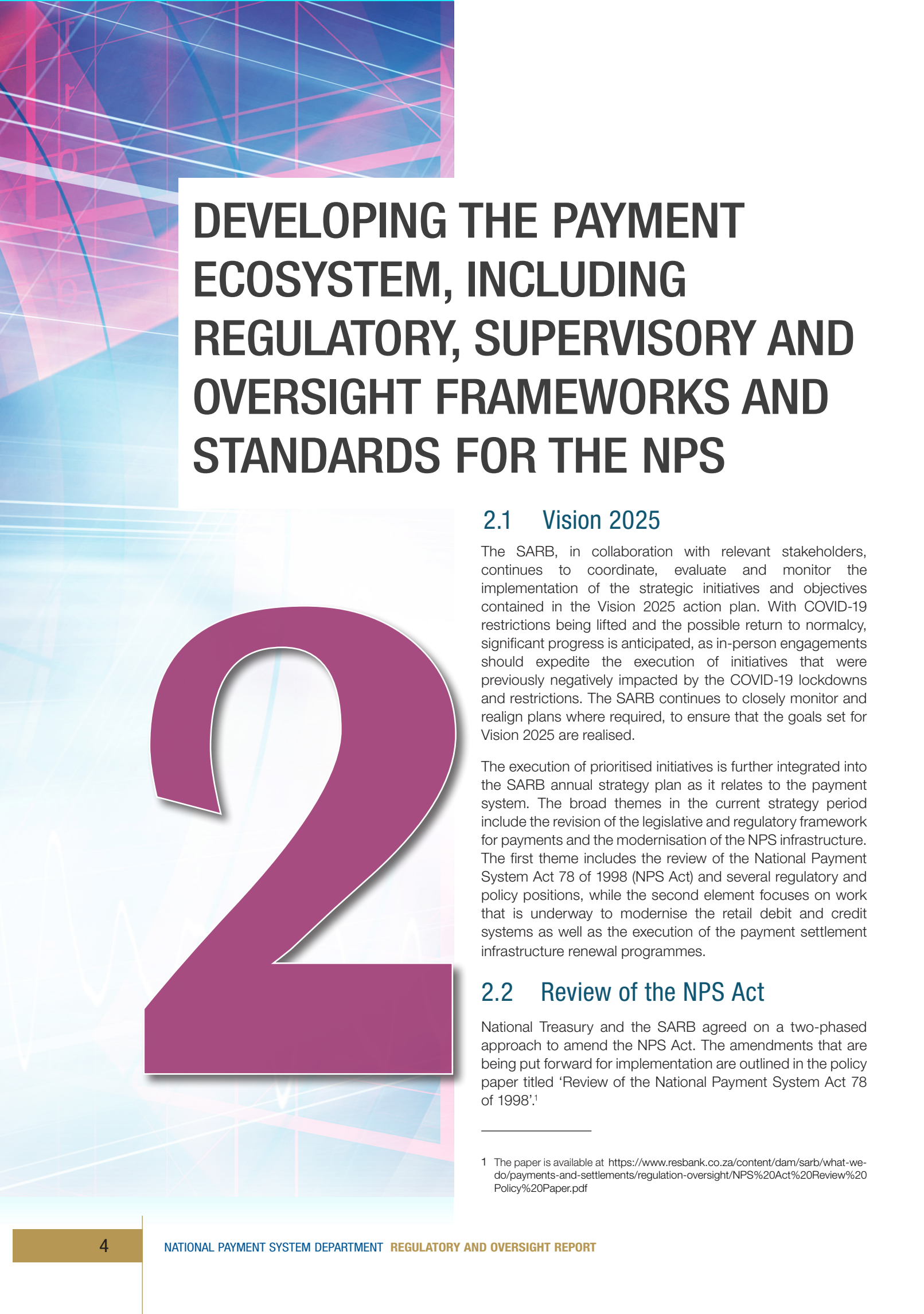
Whereas the SARB welcomes these developments, it plans to carefully manage and guard against risks that these new models and currencies could introduce. It must further maintain high standards of its entry criteria and standardisation to enable interoperability, as the NPS needs to integrate domestically, regionally and globally.

Collaboration between the private and public sectors is also necessary to address the heavy but critical goals that need to be achieved for the NPS to remain relevant and effective. Together, the focus of the efforts should thus be on addressing key objectives relating to the cost of making payments; the speed of payment transactions (including the demand for real-time payments); accessibility of payment services for consumers and the providers of the service; providing transparency in the system; and maintaining stakeholders' trust in the system by ensuring the security of transactions and the convenience of making payments.

Industry cooperation and collaboration are essential to facilitate the evolution of the NPS. While the SARB sees engagement as meaningful, ongoing effort is required to ensure that all stakeholders are aligned with the priorities identified to maintain a world-class payment system. This can be challenging as parties need to set aside self-interest and instead focus on building the appropriate infrastructure to support service provision, with the end goal of serving consumers of payment services.

Key initiatives undertaken by the South African payment industry demonstrate commitment to establishing a stable, safe and efficient payment system. These initiatives, when driven by the private sector, have been coordinated and executed under the auspices of the Payments Association of South Africa (PASA). In due recognition of the reforms that are eminent and aligned to the review of the legal framework of the NPS, the payment system stakeholder community is engaging on arrangements for the establishment of an inclusive, cooperative and collaborative structure for the NPS. The SARB looks forward to how cooperation and collaboration in the maintenance of the middle-mile infrastructure will be ensured in the interest of the effective functioning of the NPS.

Looking ahead, the payment industry modernisation initiatives will be fundamental to ensuring that the SARB keeps up with the rapid pace of change in the world of payments. Highlights for the year include the DebiCheck system that was operationalised with the support of the PASA project team, and the payment industry that continued to make a crucial contribution to, among other things, the Rapid Payments Programme (RPP), which will deliver a modern, easy to use and efficient payments platform that will cater for lower-value transactions at an affordable cost for the benefit of all South Africans.



# DEVELOPING THE PAYMENT ECOSYSTEM, INCLUDING REGULATORY, SUPERVISORY AND OVERSIGHT FRAMEWORKS AND STANDARDS FOR THE NPS

## 2

### 2.1 Vision 2025

The SARB, in collaboration with relevant stakeholders, continues to coordinate, evaluate and monitor the implementation of the strategic initiatives and objectives contained in the Vision 2025 action plan. With COVID-19 restrictions being lifted and the possible return to normalcy, significant progress is anticipated, as in-person engagements should expedite the execution of initiatives that were previously negatively impacted by the COVID-19 lockdowns and restrictions. The SARB continues to closely monitor and realign plans where required, to ensure that the goals set for Vision 2025 are realised.

The execution of prioritised initiatives is further integrated into the SARB annual strategy plan as it relates to the payment system. The broad themes in the current strategy period include the revision of the legislative and regulatory framework for payments and the modernisation of the NPS infrastructure. The first theme includes the review of the National Payment System Act 78 of 1998 (NPS Act) and several regulatory and policy positions, while the second element focuses on work that is underway to modernise the retail debit and credit systems as well as the execution of the payment settlement infrastructure renewal programmes.

### 2.2 Review of the NPS Act

National Treasury and the SARB agreed on a two-phased approach to amend the NPS Act. The amendments that are being put forward for implementation are outlined in the policy paper titled 'Review of the National Payment System Act 78 of 1998'.<sup>1</sup>

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<sup>1</sup> The paper is available at <https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight/NPS%20Act%20Review%20Policy%20Paper.pdf>



A tranche of the urgent NPS Act amendments will be effected as the consequential amendments through the Conduct of Financial Institutions (COFI) Bill. These amendments would mainly support the following: (i) providing the Financial Sector Conduct Authority (FSCA) with the mandate to regulate payment services from a conduct perspective, through the entrenchment of legal provisions; (ii) providing the SARB with the necessary powers to regulate, license, oversee and supervise payment services from an efficiency, safety and integrity of the NPS perspective; and (iii) removing the payment system management body (PSMB) model and allocating the relevant PSMB functions to the SARB and payment clearing house (PCH) system operators (SOs).

National Treasury has facilitated engagements with industry stakeholders and regulatory authorities, and convened clarification workshops on the relevant draft amendments. PASA and the Banking Association South Africa (BASA) also provided comments on the draft amendments. The NPS industry stakeholders will be afforded a further opportunity to comment on the amendments during the parliamentary process.

## 2.3 Consultation on NPS policy and regulatory matters

### 2.3.1 Open banking

Following the publication of the consultation paper on open banking activities in the NPS<sup>2</sup> and the review of the public comments, the SARB took a decision to address existing risks associated with 'instant electronic funds transfer (EFT)' as an interim measure while a long-term solution on the open banking policy and framework is being developed. 'Instant EFT' uses an arrangement commonly known as 'screen scraping', which requires customers to share their online banking credentials, namely their login name and password, with a third party to initiate and automate a payment. 'Instant EFT' is regarded as unsecure as it exposes consumers to risks such as:

- data privacy;
- fraud risk;
- breach of contractual agreements; and
- risk of financial loss and the goods purchased being lost.

The National Payment System Department (NPSD) of the SARB is currently developing a draft directive to address the risks associated with 'instant EFT' payment solutions and to manage a transition to long-term solutions. In the long term, a regulatory framework that will enable open banking while taking into account proposed changes that will be made to the NPS Act will be developed.

### 2.3.2 Processing of payments in South Africa (domestic processing)

In September 2021, the SARB requested PASA to recommend amendments to the PCH SO authorisation criteria to make provision for the processing of domestic retail transactions in South Africa. This is aimed at ensuring the continued processing of payment instructions/ transactions, should a PCH SO cease operations in South Africa. Following PASA's consultation with affected stakeholders, the criteria were submitted to the SARB for approval. The SARB is reviewing the criteria and will provide clarification on specific aspects of domestic processing prior to final approval. Further, the SARB has lifted the moratorium, effective from 1 October 2021 and subject to specified conditions, including prior notification by the SARB of any planned migration of existing volumes and the introduction of new products/transaction types to be processed offshore via offshore processors.

### 2.3.3 Cyber-resilience regulatory framework

The SARB is in the process of developing a cyber-resilience regulatory framework with the objective to outline measures that need to be implemented to address cyber-risk and to promote cyber-resilience within the NPS. The drafting of a consultation paper is in progress and stakeholders' input will be sought once the paper is published for comment.

<sup>2</sup> The consultation is available at <https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight/Consultation%20Paper%20on%20open%20banking.pdf>



# PROMOTING THE SAFETY, EFFICIENCY AND OVERALL RESILIENCE OF FMIs

## 3.1 Interchange determination

The SARB published a consultation paper on the interchange policy<sup>3</sup> in February 2022, inviting comments from the payment industry and other interested stakeholders. The paper aims to formalise the policy position on the current interchange determination process and to fully implement the relevant recommendations of the 2008 Banking Enquiry. The current interchange determination process is applied outside of a formal and documented regulatory framework. The SARB is considering the comments received from stakeholders prior to finalising the policy position.

The project to review the entire interchange determination process and related activities commenced in July 2020 and was completed in August 2021. The review was based on two overarching principles, namely: (i) to enhance the safety, efficiency and accessibility of the NPS in a manner that promotes competition and minimises risk to the payment ecosystem; and (ii) to act in the interest of the NPS as a whole rather than individual stakeholders or stakeholder groupings. The review sought to support the NPS Vision 2025 goals, with specific reference to interoperability, support for financial inclusion as well as promoting competition and innovation.

The project was executed in two phases. The first phase of the project included an assessment of the global payment landscape, taking cognisance of markets such as the South African payment market or similar payment services. Topics covered included the role of the central bank in interchange determination, innovative payments, non-bank participation and open banking, as well as interchange models and interchange methodologies applied to the various payment instruments. Lessons and considerations for South Africa were derived from the landscape assessment.

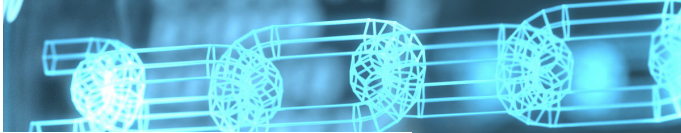
The second phase of the project included engagements with the payment industry, including banks, retailers, PCH SOs, card associations, payment service providers, mobile network operators, government institutions and industry associations.

These engagements encompassed one-on-one meetings after which the stakeholders were requested to complete a standardised questionnaire.

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<sup>3</sup> The consultation is available at [https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight-and-supervision/document-for-comments/Interchange%20policy%20paper\\_Publication%20version.pdf](https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight-and-supervision/document-for-comments/Interchange%20policy%20paper_Publication%20version.pdf)





The recommendations from the project report included general recommendations relating to the role of the SARB in the determination of interchange, interchange methodologies, and the structure for the current regulated and unregulated payment streams. In addition, the SARB was to consider enhancing the Payment Information Return (PAYIR) system (interchange determination technology platform), payment reporting, and interaction with other regulatory bodies such as the FSCA. To address the provision of an automated teller machine (ATM) infrastructure in the rural and less populated areas, it was recommended that the SARB consider facilitating engagements on a shared ATM network. The shared infrastructure will allow the industry to share costs related to the provision of ATM services in sparsely populated areas. This initiative will require collaboration between stakeholders inside and outside of the SARB, since it is of national interest and will be executed in the long term.

The SARB is in the process of internalising the report and will engage stakeholders on the plan for the implementation of the recommendations. Where necessary, the SARB will execute some of the recommendations that do not require further engagements. The valuable input and insight received from stakeholders during the project is appreciated and the SARB looks forward to fostering this collaboration going forward.

## 3.2 Reforms in the faster payments system

Faster payments enhance the efficiency and integrity of the NPS. Further, faster payments contribute to the modernisation of the NPS and specifically contribute positively to the achievement of the SARB's Vision 2025 goals, particularly those relating to cost-effectiveness, promoting competition and innovation, financial inclusion, and interoperability.

The draft position paper on faster payments in South Africa<sup>4</sup> was issued for public consultation on 29 November 2021. It outlines measures to ensure the successful implementation of a faster payment infrastructure. The NPSD is reviewing the comments and will finalise the position paper for publication.

A faster payments initiative, named the Rapid Payments Programme, or RPP, is an industry-led payments modernisation programme in direct response to the SARB's Vision 2025 goals, and includes the modernisation of the NPS and the realisation of the industry's 'Project Future' architectural vision. As an industry initiative, and not a directive from the SARB, the RPP is reliant on market forces to enable implementation. There is thus a responsibility on each stakeholder to understand their role and support the interdependence that exists among all parties.

In 2021 there was an increased level of engagement across the landscape of stakeholders within the payment industry, including banks, regulators, non-banks, industry bodies and forums, as well as the public sector and non-governmental organisations. Industry mobilisation across these sectors was a key priority throughout the year under review to prepare the industry for the launch of the RPP.

The RPP achieved a number of key achievements and milestones, a clear testimony to the industry's dedication to the RPP and the broader vision of improving the lives of all South Africans. Eleven build agreements were entered into, thereby formally committing 11 participating banks to the RPP. The majority of the banks plan to achieve deployment in early 2023.

The technology build of the platform and payment rail by the system operator has progressed significantly. Internal testing is nearing the close-out phase and preparations are being done for market acceptance testing (MAT) and SARB certification in 2022. The Cohort 1 banks are in the midst of their respective technology builds and will commence testing on the testing simulator deployed by the South African Bankers Services Company Proprietary Limited (BankservAfrica).

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<sup>4</sup> The consultation paper is available at <https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight-and-supervision/document-for-comments/Draft%20Faster%20payments%20position%20paper%20-%2029%20Nov%202021%20-%20for%20public%20consultation.pdf>

This simulator testing environment is the first of its kind for an industry programme and will ensure that, going forward, testing is streamlined and requires less manual intervention from the system operator.

While the technology build is a critical component of the RPP, it is only one aspect thereof. The RPP and the industry will continue striving towards ensuring that operational readiness across all stakeholder groups is achieved and supported by both market and client readiness.

In addition, PASA and BankservAfrica will continue to build the foundation for the RPP by working on the development of the legal construct, namely the formation of the PCH and the establishment of the RPP scheme.

Building on these successes and progress, the key strategic focus areas throughout 2022 will include:

- ensuring readiness across all the RPP components and each stakeholder group to ensure a successful testing phase and pilot launch;
- working closely with the industry to develop a fit-for-purpose fraud solution that aligns to the industry-wide strategic objectives to actively manage fraud for real-time payments; and
- ensuring that the real-time payment product is launched to the market and to the public under a brand with which South Africans fully associate, thereby achieving the original objectives of the RPP (i.e. enabling financial inclusion and improved services for merchants).

The RPP is currently in the build/test phase. The key objective of this stage is to ensure and validate the end-to-end readiness across all work streams and stakeholders, prior to deployment into a closed group pilot and the lead-up to the full-scale market launch. Programme readiness will be measured across PASA, BankservAfrica and the RPP industry participants.

In 2022 the RPP is expected to ramp up significantly towards the actual realisation of its vision through the implement and launch phases. Inherent in this progress will be continued collaboration between all stakeholders, accurate reporting and transparency, enhanced programme governance, and active support and drive from banking participants. This will ensure that all insights and expertise from across the industry continue to feed into the ultimate success of the RPP.

## RAPID PAYMENTS PROGRAMME: THE JOURNEY TO DATE

For the past three years, BankservAfrica and PASA has been hard at work mobilising the industry and has achieved a number of critical milestones since the initiation phase of the programme.

Milestones achieved in each phase





### 3.3 Authenticated collections

The authenticated collections (AC)/DebiCheck project surpassed its third and final key milestone on 31 October 2021, as per the Second Amendment of the Directive for Conduct within the National Payment System in respect of the Collection of Payment Instructions for Authenticated Collections: First Amendment of Directive 1 of 2017.

Authenticated early debit order (AEDO) and non-authenticated early debit order (NAEDO) mandates were processed until 31 October 2021, after which the AEDO and NAEDO payment streams were discontinued from 1 November 2021. The passing of the DebiCheck milestone was significant as it was a culmination of the extensive effort of the industry to improve the safety and efficiency of the debit order collections system, despite significant technical challenges, system complexities and the numerous delays in the overall project.

The existing early debit order (EDO) PCH is to be wound down and the expected closure of the EDO PCH is the beginning of the third quarter of 2022. The AC project team, supported by the NPSD, will continue engaging with the industry to improve the maturity and overall efficiency of the AC/DebiCheck system, enhance aspects that still require development, as well as finalise the system rules that balance the rights and obligations of both collectors and parties whose accounts are debited to facilitate collections.

### 3.4 BankServAfrica assessment against the Principles for Financial Market Infrastructures

During the 2021/22 financial year, BankservAfrica – the PCH SO for retail payment transactions – assessed itself against the Bank for International Settlements’ (BIS) Committee on Payments and Market Infrastructures’ (CPMI) Principles for Financial Market Infrastructures (PFMIs). The self-assessment was conducted in line with the disclosure framework and assessment methodology prescribed by the CPMI and International Organization of Securities Commissions (IOSCO).

The public disclosure document was prepared by BankservAfrica and was published on its website in June 2021. The self-assessment includes a description of the PCH SO operations and describes how BankservAfrica, as an FMI, complies with each principle that is applicable to it. Consideration was also given to key findings and recommendations from previous self-assessments while compiling the latest edition of the self-assessment.

Although there were improvements by BankservAfrica in its level of observance of the PFMIs since the previous self-assessment in 2019, the NPSD made recommendations for BankservAfrica to address gaps identified in the 2021 self-assessment. BankservAfrica is in the process of implementing these recommendations and has provided the NPSD with regular feedback on the progress made in this regard. Table 1 indicates a high-level summary of the 2021 self-assessment.

Table 1: High-level summary of the BankservAfrica 2021 self-assessment

Assessment category	2019 Self-assessment by BankservAfrica	2021 Self-assessment by BankservAfrica
Principle		
Observed	13, 16, 17, 18, 19, 21	1, 2, 3, 8, 13, 15, 16, 17, 18, 21, 22, 23
Broadly observed	3, 15, 22	19
Partly observed	1, 2, 23	0
Not observed	0	0
Not applicable	4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 20, 24	4, 5, 6, 7, 9, 10, 11, 12, 14, 20, 24

### 3.5 STRATE assessment against the Principles for Financial Market Infrastructures

In February 2021, Strate Proprietary Limited (Strate) – the PCH SO for payment obligations emanating from its activities as a central securities depository (CSD) and a securities settlement system (SSS) – submitted to the NPSD its self-assessment against the PFMI. The self-assessment was conducted in line with the disclosure framework and assessment methodology prescribed by the CPMI and IOSCO.

Of the 24 principles included in the CPMI–IOSCO PFMI report, only 17 principles were considered relevant to Strate due to the nature of its operations. Having completed the assessment, Strate was rated as ‘Observed’ on 16 of these principles, indicating that identified gaps and shortcomings are minor, manageable, and of a nature that Strate could consider resolving in the normal course of its business. On Principle 13 (participant default rules and procedures), Strate was rated as ‘broadly observed’, indicating that the assessment had identified one or more issues of concern that the FMI should address and follow up on within defined timelines.

The NPSD, upon reviewing the self-assessment, made recommendations for Strate to address the gaps identified. Strate is in the process of implementing these recommendations and has provided the NPSD with regular feedback on the progress made in this regard. Table 2 below indicates a high-level summary of the 2021 self-assessment.

Table 2: High-level summary of the Strate 2021 self-assessment

Assessment category	2021 Self-assessment by Strate
	Principle
Observed	1, 2, 3, 4, 7, 8, 9, 11, 12, 15, 16, 17, 18, 21, 22, 23
Broadly observed	13
Partly observed	0
Not observed	0
Not applicable	5, 6, 10, 14, 19, 20, 24

Given the nature of Strate’s operations, it is not viewed as efficient to assess it in isolation from a payment system perspective as it is regulated not only by the NPSD as a payment system FMI, but also by the FSCA and the Prudential Authority (PA) as a CSD and an SSS. Accordingly, in the 2022/23 financial year, a joint assessment of Strate will be undertaken, with the FSCA playing a leading role, while the PA and NPSD will support the assessment





BUSINESS  
NETWORKING  
SOCIAL NETWORK  
TECHNOLOGY  
MEDIA  
CREATIVE  
FINANCE  
INVESTMENT  
CULTURE  
ECONOMY

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10 11 001001 0010010 0100
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01 001011 01001
100 1011 1101 01 011 1
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# MODERNISING THE PAYMENT INFRASTRUCTURE

## 4.1 RTGS Renewal Programme

On 23 June 2021, the SARB launched a renewal programme of its real-time gross settlement (RTGS) operations. The primary aim of the programme is to enhance the domestic and regional provisioning of payment settlement services currently offered by the SARB.

The programme is being delivered in several work packages to ensure that benefits are realised over the five-year life span of the programme, which will be concluded in 2025.

**The first work package provides for the extension of the lifespan of the technology infrastructure as well as the extension of the lifespan of the current RTGS applications.** The aim of this work package is to ensure that the current infrastructure is sustained until the delivery of the new RTGS systems. The implementation of enhancements and upgrades to the mainframe and data centres is scheduled to be completed by the second quarter 2022, before the International Organization for Standardization (ISO) 20022 messaging standard is implemented in the third quarter of 2022.

**The second work package to be delivered is the migration to the ISO 20022 messaging standard.** As part of the SARB's Vision 2025, which incorporates the modernisation of payment infrastructures, the South African payment industry has adopted a universal messaging standard – ISO 20022 – that will improve interoperability, transparency and public accountability goals entrenched in the NPS strategy. While the RTGS will be replaced in 2025, the new messaging standard will be implemented in September 2022 on the current platform. The SADC region is currently in the design phase for implementation of the standard on the current platform in October 2023.



**The third work package** is currently underway and seeks to **design an operating model for RTGS services, business, and conceptual and logical architectures** that incorporates the transformational changes impacting RTGS operations. These changes include, but are not limited to:

- enhanced access to payment services through the enablement of wider access by payment service providers;
- technology advances that improve the efficiency of the system (higher speed and lower cost of transactions); and
- enhanced security of the system to address cyber threats.

This is also expected to deliver a robust design proposal for the integration layer for RTGS systems by leveraging technology to improve the adaptability to new payment systems and developments such as central bank digital currency and Project Khokha 2 which entail the tokenisation of securities. These innovations have been piloted by the SARB and will provide sound input into the design of the new generation RTGS, as preferred business models will be explored where justified. This should also streamline the integration with other RTGSs for cross-border payments.

**The fourth work package** provides for the **delivery of a proposed integration layer** to be implemented in a phased approach in 2024, to reduce complexity and the risk of failure prior to the **upgrade of the core applications** planned to be implemented in 2025.

**The last and fifth work package** entails the **replacement of the current core RTGS solutions** by either purchasing or building a solution in partnership with an appropriate technology partner.

With this renewal programme, the SARB further aims to enhance competition through leveraging off technology developments as well as to enhance the cost-effectiveness of the system, which should translate into lower transaction fees and make the system flexible and adaptable to relevant changes in the financial system.

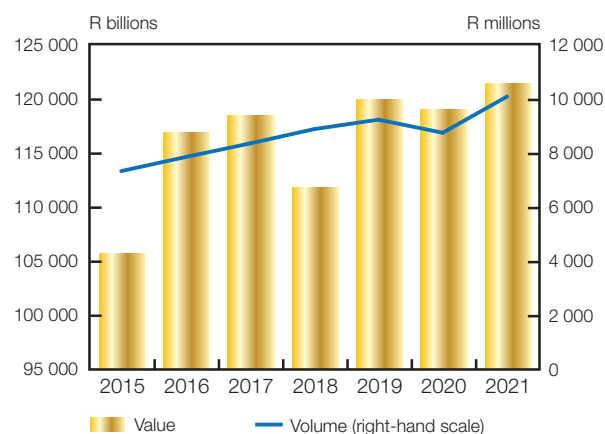


# EFFECTIVE OPERATION OF THE PAYMENT INFRASTRUCTURE AND SETTLEMENT STATISTICS

## 5.1 SAMOS settlement statistics

The total value of payment transactions settled in the domestic RTGS - known as the South African Multiple Option Settlement (SAMOS) system - increased by 2%, from R119 trillion in 2020 to R121.4 trillion in 2021 (see Figure 1). In the same period, settlement volumes increased from 8.7 million to 10.1 million. Included in these figures, it is noted that wholesale payments settled in real time in the RTGS accounted for 88% of the settlement values in the SAMOS system, while retail payment settlement obligations submitted for settlement by PCHs accounted for the remaining 12%.

**Figure 1: Payment values and volumes settled in SAMOS**



Source: SARB



The total value of retail payment transactions settled in SAMOS increased from R13.1 trillion in 2020 to R15 trillion in 2021. EFT credits contributed a significant portion of 72.3% of the retail payment values, followed by cards at 12.7%. The EFT credits' share of the total has shown a decline, from 73.6% in 2020 to 72.3% in 2021, while the real-time clearing (RTC) system and the use of cards increased. It is also noteworthy to observe that cheques were officially phased out on 31 December 2020.

Figure 2: Retail payment settlement values, 2020

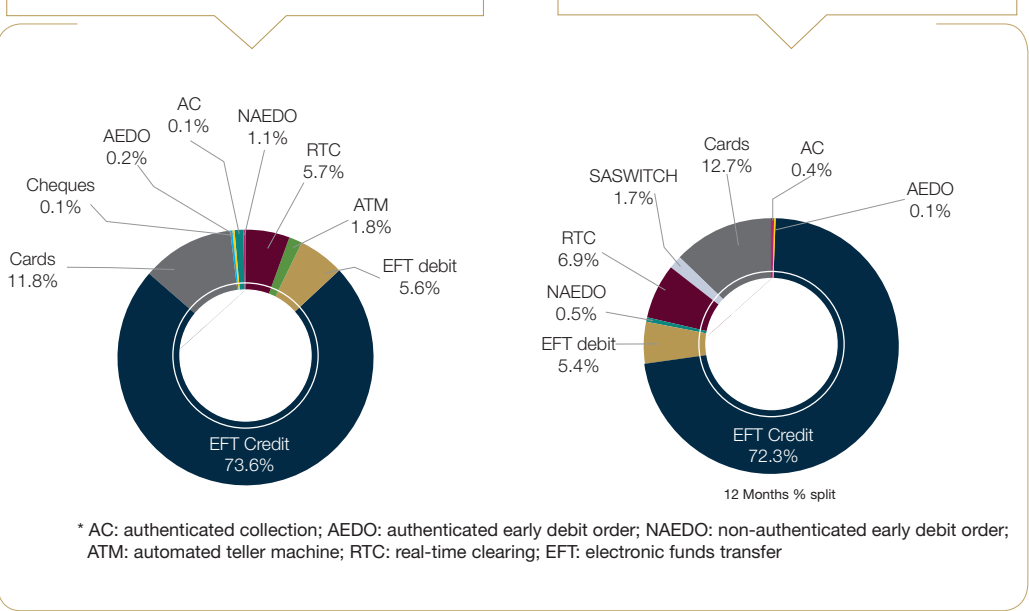
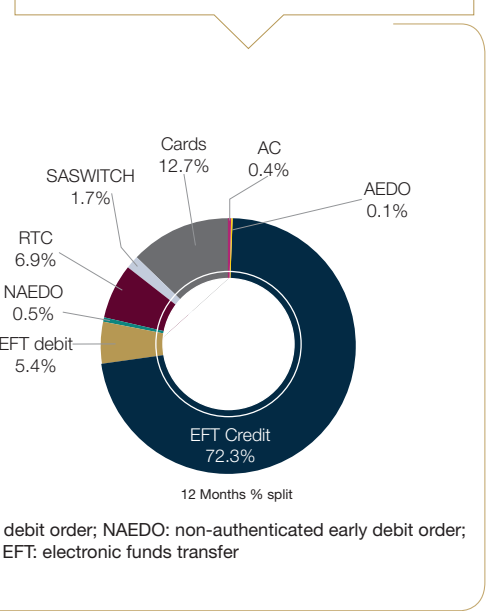


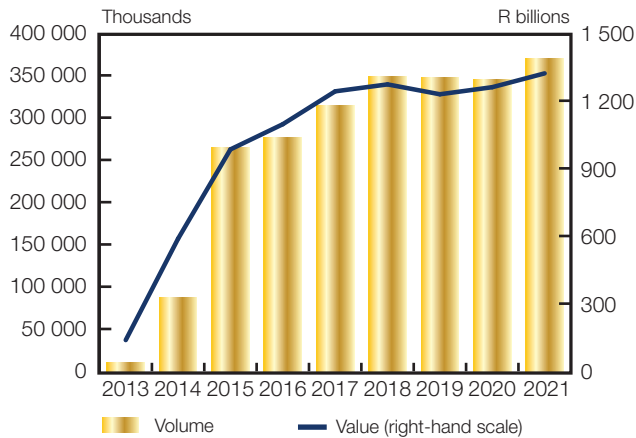
Figure 3: Retail payment settlement values, 2021



## 5.2 SADC-RTGS settlement statistics

Following subdued growth in volumes and values in 2019 and 2020 due to the COVID-19 pandemic, in 2021 the SADC-RTGS system settled a record yearly volume of 370 122 transactions and a value of R1.3 trillion. This represented a year-on-year growth of 7.12% in volumes and 4.87% in values.

Figure 4: Yearly SADC-RTGS volumes versus values



For the period March 2021 to March 2022, the SADC-RTGS system showed a strong recovery in monthly volumes and values. The system settled a total of 420 431 transactions to the value of R1.4 trillion. During this period, the system also experienced four new peaks in volumes and values, with the latest peak being a volume of 38 556 and a value of R146 billion during March 2022.

Figure 5: Monthly SADC-RTGS volumes versus values









# COORDINATION OF EFFORTS IN REGIONAL AND CONTINENTAL INITIATIVES

## 6.1 Provision of regional settlement services: SADC-RTGS operator role

The SADC-RTGS (formerly known as the SADC Integrated Regional Electronic Settlement System, or SIRESS) is the regional cross-border RTGS system in the SADC region, hosted and operated by the SARB. In terms of the SADC-RTGS stakeholder agreement, the SADC central banks appointed the SARB as the SADC-RTGS Operator (Operator) and provider of regional payment settlement services to the qualifying participants in the region.

The SARB, in its role as the Operator, thus provides payment services to the SADC region as far as it relates to cross-border transactions. The SADC-RTGS system is operational during normal business hours where a dedicated regional Customer Support Centre team is available to monitor the system and support its users. The Operator is also responsible for leading projects that ensure that the system keeps abreast with international standards and best practices. Current initiatives led by the Operator include the RTGS Renewal Programme and the inclusion of additional settlement currencies in the SADC-RTGS system.



## 6.2 Cooperative oversight arrangements within the SADC region: SARB as lead overseer

The SADC payment activities, including the SADC-RTGS system, are overseen by the SADC Payment System Oversight Committee (PSOC). The cooperative oversight arrangements are carried out as outlined in the SADC PSOC memorandum of understanding (MoU) which is signed by the central banks whose financial institutions participate in the SADC-RTGS system.

In this regard, the SARB has been appointed as the lead overseer in terms of the SADC PSOC MoU. The responsibilities for the cooperative oversight include the provision of the SADC PSOC Secretariat, coordination of the oversight activities, and the provision of guidance on the SADC payment projects where appropriate. During the reporting year under review, the SADC PSOC appointed and mandated BankservAfrica as the scheme manager of the SADC low-value instant payment system for the region and finalised the governance arrangements of the payment scheme.

## 6.3 SADC Payment System Subcommittee coordination

### 6.3.1 Enhancing financial inclusion in SADC

The SARB coordinated and participated in, among other things, the following initiatives with the objective to enhance financial inclusion in the SADC region:

- In collaboration with member countries, a baseline for financial metrics was established based on the SADC financial inclusion framework relating to the extent of access and usage of financial services and products by consumers in the region. Countries have been encouraged to implement domestic measures to see an improvement across adopted metrics.
- In an effort to provide insights on remittance trends in the region, the SARB was identified as one of the central banks to provide data to build an electronic portal which will encompass interactive analytics. Currently, the pilot portal contains data from the SARB only. The next phase of the project is to collect data from other SADC member countries to enrich analytics.
- The SARB was also involved in developing and finalising SADC research on innovative financial services and products that facilitate access to domestic and regional payment services. The report on the outcome of this work will be published through the SADC Committee of Central Bank Governors (CCBG).

### 6.3.2 Fostering financial integrity in SADC

The objective of this focus area is to enhance and protect the integrity of the SADC financial ecosystem. The following initiatives are being undertaken:

- Promote the effective implementation of internationally accepted standards such as those issued by the Financial Action Task Force (FATF) against money laundering and the financing of terrorism. The SARB participated in the initiative to produce a baseline report of countries that have fully implemented, partially implemented or not implemented standards to foster financial integrity. The report on this work will be published through the SADC CCBG.
- Harmonise anti-money laundering/combating the financing of terrorism (AML/CFT) policies in relation to digitised payment products. The SARB participated in a regional pilot to ascertain the business case to operationalise a digitised Know Your Client (KYC) registry capability for the region. The objective of the initiative is to find solutions to reduce costs associated with the KYC processes.



## 6.4 SADC low-value instant payments: TCIB payment scheme

The SADC Banking Association, in collaboration with the SADC Payment System Subcommittee and BankservAfrica, developed a low-value instant cross-border payment solution for the SADC region. This is known as the transactions cleared on an immediate basis (TCIB) payment scheme. It was developed based on the ISO 20022 messaging standard and is available on a 24/7 basis.

TCIB was launched in a controlled, live environment on 30 July 2021. Currently, the settlement of South African rand (ZAR)-denominated obligations are undertaken through the SADC-RTGS system while settlement of non-ZAR transactions (i.e. SADC currencies that are not yet onboarded on the SADC-RTGS) are undertaken through the nominated correspondent banks.

The settlement frequency for transactions processed through the TCIB will occur at set intervals during the day, as per the agreement among the participants and the BankservAfrica.

In terms of the TCIB governance arrangements, the SADC PSOC has appointed and mandated BankservAfrica to be the TCIB Scheme Manager. The affairs of the TCIB Scheme Manager are overseen by the SADC PSOC.

The introduction of the TCIB payment solution will partly address cross-border payment challenges within the SADC region by providing an affordable instant regional payment solution and granting wider access to allow interoperability among banks and non-banks.

Further information on the payment scheme may be obtained on the BankservAfrica website at: <https://www.bankserv africa.com/website/services/transactions-cleared-on-an-immediate-basis> or the SADC website at: <https://www.sadc.int/themes/economic-development/finance/banking/>









# EMERGING INITIATIVES

The payments landscape is continually evolving. As a result, it is imperative for the SARB to stay abreast with developments that are taking place in the region as well as globally, and to factor these into its domestic plans and initiatives.

With this in mind, the SARB has initiated two key projects:

## 7.1 The payments study

A payments study of the South African landscape aims to collect and analyse data relating to the use of payment instruments from both the payment services providers as well as consumers, with the aim of understanding payment behaviour and the aspects that drive the use of certain payment instruments over others.

The study will leverage off methodologies adopted by other central banks and will make use of payment data at the SARB's disposal, as well as implement specific consumer and diary surveys nationwide to obtain the required consumer data on payment instruments' usage.

The SARB envisions that the insights gained from the study will be useful to both the SARB and the payment system stakeholder community in the quest to either improve/enhance current service offerings or develop new services/products for the benefit of the payment system and consumers.

## 7.2 Digital payments strategy and approach

The SARB has also initiated a project to develop a digital payments strategy and approach that would accelerate the implementation of initiatives that support the strategies aligned to the SARB's Vision 2025 goals. This initiative will particularly foster the achievement of the goals related to the maintenance of the safety and efficiency of the NPS, thereby enhancing financial inclusion, entrenching interoperability, and promoting competition and innovation through support of the adoption and use of digital payments in the SARB's jurisdiction. The SARB has already engaged selected stakeholders to solicit initial inputs on this initiative and will further consult broadly through the process of developing the strategy.









# CONCLUSION

Although the past year was negatively impacted by the COVID-19 pandemic, the SARB replanned and prioritised its initiatives and programmes to ensure the achievement of set goals. As is evident from the update outlined in this report, meaningful progress has been achieved under these difficult circumstances. Payment service provision continued without major disruption, and oversight efforts to ensure the safety and efficiency of the system continued to be effective.

Several policy and regulatory positions and instruments were issued and, in some respects, implemented. Coordination arrangements with all the relevant stakeholders have been realigned to the SARB's new ways of work and interaction. These arrangements have been adjusted, where appropriate, to ensure that they are efficient and effective.

# Abbreviations

AACB	Association of African Central Banks
AC	authenticated collection
AEDO	authenticated early debit order
ATM	automated teller machine
BankservAfrica	South African Bankers Services Company Proprietary Limited
BIS	Bank for International Settlements
CCBG	Committee of Central Bank Governors
COVID-19	coronavirus disease 2019
CPMI	Committee on Payments and Market Infrastructures
CSD	central securities depository
EDO	early debit order
EFT	electronic funds transfer
FMI	financial market infrastructure
FSCA	Financial Sector Conduct Authority
KYC	Know Your Client
IOSCO	International Organization of Securities Commissions
ISO	International Organization for Standardization
MAT	market acceptance testing
MoU	memorandum of understanding
NAEDO	non-authenticated early debit order
NPS	national payment system
NPS Act	National Payment System Act 78 of 1998
NPSD	National Payment System Department
PA	Prudential Authority
PAYIR (system)	Payment Information Return (system)
PASA	Payments Association of South Africa
PCH	payment clearing house
PFMI	Principles for Financial Market Infrastructures
PSMB	payment system management body
PSOC	Payment System Oversight Committee
RPP	Rapid Payments Programme
RTC	real-time clearing



RTGS	real-time gross settlement
SADC	Southern African Development Community
SAMOS (system)	South African Multiple Option Settlement (system)
SARB	South African Reserve Bank
SO	system operator
SSS	securities settlement system
Strate	Strate Proprietary Limited
TCIB	transactions cleared on an immediate basis
Vision 2025	National Payment System Framework and Strategy: Vision 2025
ZAR	South African rand

