National Payment System Department Regulatory, Supervisory and Oversight Framework

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Contents

Preface

According to the Bank for International Settlements (BIS), oversight is "a central bank function whereby the objectives of efficiency, safety and soundness are promoted by monitoring existing and planned payment, clearing, settlement and related arrangements, assessing them against these objectives and, where necessary, inducing change. These arrangements include financial market infrastructures (FMIs) and other payment, clearing, settlement and reporting arrangements and activities, both within and across jurisdictions (encompassing systems and activities involving large value and retail payments, foreign exchange settlement, securities and derivatives clearing and settlement, multilateral netting and collateral management), as well as retail payment instruments or schemes".[1]

The purpose of this paper is to outline the legal framework, objectives, scope and approach of the regulatory, supervisory and oversight function of the National Payment System Department (NPSD) of the South African Reserve Bank (SARB).

In this paper, oversight encompasses the regulatory role of the NPSD within the national payment system (NPS), including oversight of the FMIs and the regulatory, organisational and management responsibilities of the payment system management body (PSMB) over payment institutions and systems under its jurisdiction.

The paper focuses only on the payments industry and systems.

1 See http://www.bis.org/cpmi/publ

1. Introduction

1.1 In July 2001 the SARB formally established its payment system oversight function, which is vested within the NPSD of the SARB. Since its inception, the South African oversight model has been developed and refined to cater for the needs of the domestic payment system, while at the same time adhering to international best practices.

1.2 In April 2019 the NPSD underwent an organisational review, which resulted in the oversight function being split into two divisions, namely the Policy and Regulation Division and the Oversight and Supervision Division.

1.3 This paper outlines the legal framework, objectives and approach to payment system policy, regulation, supervision and oversight of the SARB and the NPSD in particular. The framework is based on the domestic legal system as well as the work undertaken by the World Bank Payment System Development Group, the observations made and approaches proposed by the BIS Committee on Payments and Market Infrastructures (CPMI), and other central banks involved in the regulation, supervision and oversight of payment, clearing and settlement systems (PCSS).

1.4 Most jurisdictions have made the conscious choice for central banks to fulfil the role of regulator, supervisor and overseer of their domestic PCSS. As central banks in many countries provide safety net facilities, the case for placing PCSS regulation, supervision and oversight responsibilities with central banks has become widely entrenched. This overseer role is reinforced during financial crises as it involves providing information to assist prudential authorities in determining whether or not to support individual participants and evaluating the systemic implications of not granting emergency liquidity assistance.

1.5 While the main focus of this paper is the existing regulatory, supervisory and oversight framework of South Africa, the anticipated changes to the regulatory landscape and their possible impacts are further highlighted.[2]

2. Legal and regulatory foundation

2.1 The mandate and authority of the SARB to establish, conduct, monitor, regulate and supervise a PCSS is derived from the South African Reserve Bank Act 90 of 1989, as amended (SARB Act), specifically section 10(1)(c). In pursuit of this mandate, the SARB delegated the authority to manage, operate, regulate and supervise PCSS to the NPSD, in terms of the National Payment System Act 78 of 1998 (NPS Act).

2 It is anticipated that the regulatory framework will change significantly once the National Payment System Bill is enacted.

2.2 The NPS Act empowers the NPSD, after consultation with the PSMB, to issue directives regarding a payment system or the application of the provisions of the NPS Act. These directives are gazetted and are legally binding. They also enable the NPSD to direct changes and enforce corrective action in response to non-compliance with regulations and/or policies in the NPS.

2.3 The NPSD also periodically issues non-binding position and information papers. Position papers are published by the NPSD to affirm and clarify its position on specific payment system issues. These documents set out approaches, procedures and policy matters which are applicable, and although not legally binding, they carry moral suasion.

2.4 Information papers are divided into two categories:

2.4.1 documents that supplement the position papers issued and provide useful information to the industry; and

2.4.2 position papers previously published by the NPSD, which may occasionally be converted into information papers for research and historical reference purposes.

2.5 In terms of the NPS Act, the NPSD has the authority to recognise a PSMB that formulates industry-specific rules for the payment system. The PSMB is responsible for supervising and enforcing compliance with these rules.

2.6 The rules, commonly issued by the PSMB, relate to the issuance of payment instruments and participation in clearing and settlement systems and activities. Key parties covered by the rules include participants, payment clearing house system operators, system operators, third-party service providers and other stakeholders whose role affects the clearing environment. The PSMB is also responsible for dispute resolution in respect of matters that fall within its mandate. Issues that remain unresolved at the PSMB level are escalated to the NPSD through the relevant governance structures by PSMB management or participants, as applicable.

2.7 The legal framework recognises that participation in the payments environment requires the involvement of both banks and non-banks, since they play different roles in making the NPS effective, safe and sound, while encouraging innovation and competition in the system. Provisions and criteria for non-banks to access and participate in the NPS are clearly defined in the legal framework.

2.8 In terms of the NPS Act, the NPSD has the authority to request, on a regular basis, information relating to the payment system.

2.9 Governance arrangements are also in place to ensure adherence with applicable legislation.

2.10 Section 10A of the Promotion of Administrative Justice Act 3 of 2000 (PAJA) legally protects all NPS staff responsible for regulation, supervision and oversight within the system, provided that such responsibilities are exercised in good faith.

3. Principles, standards and best practices

3.1 The legislative, regulatory and governance framework of the NPS, including the framework and strategy documents[3] on which oversight of the NPS is based, has been informed by international principles, standards and best practices. Prior to April 2012, the BIS Committee on Payment and Settlement Systems (CPSS) Core Principles for Systemically Important Payment Systems (CPSS Core Principles) were the prevailing standards for payment system oversight from a global perspective. The CPSS Core Principles focused on the promotion of access, risk control, transparency, education, and system availability and viability.

3.2 After April 2012, the CPSS and the International Organization of Securities Commissions (IOSCO) released a document titled 'Principles for financial market infrastructures' (PFMI), which superseded the CPSS Core Principles. The PFMI classifies payment systems as financial market infrastructures (FMIs). As the overseer of the NPS, the NPSD is required to promote compliance with the PFMI and to supervise FMIs' compliance therewith.

3.3 In September 2013, the SARB published a position paper and a supporting information paper in which it broadly expressed its commitment to, and support for, the adoption of the PFMI within the NPS regulatory framework. The 2013 position paper was superseded by a 2018 position paper.

3.4 The NPSD identified five infrastructures within the NPS which meet the criteria for systemically important FMIs and should adhere to the PFMI, namely the South African Multiple Option Settlement (SAMOS) system owned and operated by the SARB, a large-value payment system owned and operated by Strate Limited (Strate), a retail payment system owned and operated by BankservAfrica Limited (BankservAfrica), the Continuous Linked Settlement (CLS) system owned and operated by CLS Bank International, and the Southern African Development Community Real-Time Gross Settlement (SADC-RTGS) system owned by SADC central banks and operated by the SARB. These FMIs are required to comply with the PFMI, conduct self-assessments based on the PFMI, and submit reports periodically to the NPSD. The NPSD assesses each designated FMI against the relevant PFMI.

3.5 The PFMI furthermore apply to central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs) and trade repositories[4] (TRs). These FMIs currently fall within the regulatory oversight of the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) as per the Financial Sector Regulation Act 9 of 2017 (FSR Act).

3 These documents include *The South African National Payment System Framework and Strategy Document* (the so-called Blue Book) which was published by the SARB in 1995; *The National Payment System in South Africa: 1995 to 2005; The National Payment System Framework and Strategy Vision 2010; The National Payment System Framework and Strategy, Vision 2015; and The National Payment System Framework and Strategy, Vision 2025.*

4 A 'trade repository' is defined in section 1 of the Financial Markets Act 19 of 2012 as a person who maintains a centralised electronic database of records of transaction data.

3.6 Other standards that affect oversight include the Society for Worldwide Interbank Financial Telecommunication (SWIFT) standards, the Financial Action Task Force (FATF) Recommendations (on anti-money laundering and combating the financing of terrorism) as well as the International Organization for Standardization (ISO) standards.

4. Objectives of regulation, supervision and oversight

4.1 The objectives of regulation, supervision and oversight are to enhance the efficiency, safety and soundness of the NPS; ensure the smooth functioning of the payment system; and further enhance the nine objectives listed below:

4.1.1 Safety and soundness

4.1.1.1 The safety and soundness objective refers to the containment of the risks which arise in, or are transmitted by, the PCSS and which, if they materialise, could impair not only the functioning of the PCSS and the operation of its participants, but also the financial stability of the overall economy.

4.1.2 Efficiency

4.1.2.1 Efficiency refers to the effective utilisation of resources by the PCSS and its participants in performing their functions. The following matters are relevant in this context:

4.1.2.1.1 Access refers to the ability to use services and includes the direct use of the services by participants, including FMIs and market infrastructures and, where relevant, service providers.[5] Access to the system should be based on objective, transparent and risk-based eligibility criteria to ensure that the PCSS system operators, providers and participants possess the reputational, financial, risk management, governance, technical and operational requisites as well as the business commitment necessary to provide services in line with the required standards.

4.1.2.1.2 Interoperability is defined in the NPSD Position Paper on Interoperability[6] as the ease of interlinking different systems at a business and a technology level. It should be maintained and promoted wherever feasible within the spheres of the payment system. The SARB does not support the development of separate and/or independent ‘closed systems’ as these contribute to inefficiencies within the payment system.

5 See Principle 18 of the CPSS and IOSCO ‘Principles for financial market infrastructures’, Bank for International Settlements, April 2012.

6 See Position Paper 01/2011 titled ‘Position Paper on Interoperability’, available at: https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight/PP2011_01.pdf

4.1.3 Reduce systemic risk

4.1.3.1 Payment system infrastructures are exposed to a wide range of risks, including credit, legal, liquidity and operational risk that may have serious implications for system operators, participants and other linked infrastructures. These risks, both collectively and individually, may give rise to systemic risk and thus pose a serious threat to the entire payment system and possibly the wider economy. It is therefore imperative that such risks are proactively managed and adequately mitigated.

4.1.3.2 Rapid developments in the payments environment are adding to the complexity of the overall PCSS risks. While PCSS participants are individually responsible for managing the risks they introduce into the system and for bearing the related costs, risk management involves both individual and collective action.

4.1.3.3 The NPSD, in its regulatory, supervisory and oversight role, should ensure that systemically important FMIs and other payment systems operate in such a manner that risks are adequately managed, while efficiency, safety and soundness are promoted in the South African financial system. The NPSD ensures that participants adopt robust methods to manage their risks, and that systems have sufficient incentives and safeguards against excessive risk-taking by individual participants.

4.1.4 Foster transparency

4.1.4.1 Industry participants and stakeholders are encouraged to be transparent to promote effective competition and to strengthen market discipline by making relevant information accessible and sufficiently clear to other stakeholders. This includes transparency relating to charges, exchange rates, transaction references and maximum execution times.

4.1.4.2 Although the NPSD does not have a mandate to regulate pricing, it does, in its oversight role, promote the adoption of fair and transparent pricing policies and practices by PCSS operators and providers, where appropriate.

4.1.5 Prevention of financial crime

4.1.5.1 A PCSS may be used as a conduit for financial crimes such as fraud, money laundering and the financing of criminal and/or terrorist activities. The overseer cooperates with both domestic and foreign law enforcement authorities and regulators in an attempt to prevent and combat such forms of crime. The NPSD, in terms of the Financial Intelligence Centre Act 38 of 2001 (FIC Act), is a supervisory body and is responsible for the supervision of compliance with the FIC Act by relevant payment system participants. The FIC Act is aimed at combating money laundering and the financing of terrorism and terrorism-related activities.

4.1.6 Financial inclusion

4.1.6.1 Financial inclusion aims to ensure the availability of minimum or essential services to underserved segments of the population and to facilitate their progressive inclusion within the financial system.[7] The NPSD supports and participates in initiatives aimed at promoting financial inclusion such as the development of mobile money policies and the implementation of guidelines contained in the publication relating to the payments aspect of financial inclusion.[8] It also participates in the National Treasury Financial Inclusion Working Group.

4.1.7 Consumer protection

4.1.7.1 One of the ways in which consumer protection can be addressed is by empowering consumers by ensuring that they are informed of their rights and obligations and are given an avenue to lodge complaints regarding substandard services and unfair practices. Consumers should be provided with the mechanism to dispute and resolve or redress claims against service providers in ways that are effective, efficient and impartial.

4.1.7.2 The regulator may seek the adoption of industry codes for consumer protection and encourage payment service providers to set up their own consumer complaint and resolution facilities to complement the industry codes. This area is currently not covered in the NPS Act. However, the FSR Act has introduced market conduct regulation of payment service providers by the FSCA, with specific focus on the conduct of payment service providers in relation to end consumers.

4.1.8 Confidence in the financial system

4.1.8.1 A PCSS that fairly considers the interests and needs of participants and ensures that these are adequately addressed by the design, governance and operations of the system contributes to promoting confidence in the financial system.

4.1.9 Competition

4.1.9.1 The NPSD does not have an explicit mandate to regulate competition within the NPS, although it recognises that competitive market conditions for payment, clearing and settlement services, including interbank payment services, are conducive for efficiency, innovation, developmental capacity and, ultimately, user benefits.

7 Responsibility for financial inclusion may be assigned by government.

8 Committee on Payments and Market Infrastructures, ‘Payments aspects of financial inclusion’, Bank for International Settlements, April 2016.

4.1.9.2 The NPSD prohibits potentially unfair practices such as exclusive arrangements, the unjustifiable denial of access to infrastructure, and unfair pricing mechanisms for infrastructure participants and users. Restrictions on access should be risk-based and publicly disclosed. Careful consideration is being given to allowing non-banks entry to the NPS provided they meet the necessary entry requirements, while being mindful of the need to ensure that a level playing field is maintained.

4.1.9.3 It is imperative that the regulatory, supervisory and oversight model supports the overall objectives and mandates of the NPSD and that regulatory, supervisory and oversight processes are continually enhanced to be in line with the dynamic and ever-evolving payments landscape. Ultimately, regulation, supervision and oversight should contribute towards the realisation of the NPSD's vision of maintaining a world-class payment system that meets domestic, regional and international requirements.

5. Scope of regulation, supervision and oversight

5.1 As stated above, regulation, supervision and oversight over the payment process and system includes all the tools, technical systems, mechanisms, institutions, agreements, procedures, rules and laws applied or utilised to effect payment. It requires that all participants, systems and instruments be identified, regulated and monitored. Paragraphs 5.2 to 5.7 discuss the systems, FMIs, the participants and institutions that fall within the scope of the NPS.

5.2 Financial market infrastructures

5.2.1 FMIs are recognised in terms of the systemic roles they fulfil in the NPS, which are assessed against the following criteria:

- 5.2.1.1 the size of the institution, such as the number and value of transactions processed, the number and type of participants, market share, and so on;
- 5.2.1.2 the complexity of the institution and its business affairs;
- 5.2.1.3 the interlinkages of the institution with other financial institutions, both within and outside of South Africa; and
- 5.2.1.4 whether there are readily available substitutes for the financial products and/or services that the institution provides.

5.2.2 The NPSD identified and recognised, and now oversees, five infrastructures/ operators as FMIs, as outlined in paragraph 3.4 above.

5.3 Domestic systems and participants

5.3.1 Domestic settlement system

The domestic large-value settlement system is known as the SAMOS system. SAMOS is owned and operated by the SARB and provides real-time gross settlement facilities to settlement system participants.

5.3.2 Banks

Included in this category are commercial banks, mutual banks, cooperative banks and branches of foreign institutions. This category also includes the SARB as a settlement system participant.

5.3.3 Non-banks

Non-banks include the designated clearing participants, third-party service providers and system operators. Non-bank oversight can include merchants or users, where required.

5.3.4 Payment clearing house system operators

These include both domestic and international payment clearing houses (PCHs).

The banks, non-banks and PCH system operators listed above are directly regulated and managed by the Payments Association of South Africa (PASA) in terms of the PASA rules and regulatory framework.

5.3.5 Payments Association of South Africa

The scope of domestic oversight includes PASA, which is the PSMB recognised in the NPS Act. It performs the role of a self-regulatory body[9] responsible for regulating and managing the participation of its members in the NPS.

5.4 Regional settlement system

5.4.1 As stated above, SADC has developed, and is in the process of expanding, the SADC-RTGS, which provides a cross-border settlement service for SADC countries.[10] The service is available to banks which are participants in their respective domestic payment systems. The NPSD is the lead overseer of the SADC-RTGS and has concluded a cooperative oversight agreement with other SADC central banks for the purposes of SADC-RTGS oversight.

9 In 2015 the SARB conducted a review of the PASA governance, mandate, membership and regulatory framework to assess its effectiveness as a PSMB. The final report was issued in July 2016 and the shortened version of the final report has been published on the SARB website at https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight/PASA%20Report.pdf.

10 Participating countries include Angola, Botswana, Democratic Republic of the Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe.

5.5 International settlement system

5.5.1 The South African rand was officially accepted as a CLS currency on 6 December 2004. The CLS uses a unique combination of payment versus payment settlement over CLS central bank accounts, RTGS systems and multilateral payment netting supported by a robust and resilient infrastructure. The NPSD participates in the cooperative oversight of the CLS. The lead regulator is the Federal Reserve Bank of New York.

5.6 Critical service providers

5.6.1 Critical service providers, such as SWIFT, fall within the domain of oversight where cooperative oversight structures, led by the National Bank of Belgium, have been established.

5.7 Payment streams

5.7.1 The various payment streams that currently fall within the scope of the NPSD include real-time line (RTL), electronic funds transfer (EFT) credit, EFT debit, Saswitch (automated teller machines (ATMs)), debit card, credit card, cash, American Express, Diners Club, fleet card, authenticated collections (DebiCheck), PayShap, real-time clearing (RTC), derivatives, equities, money market, and bonds.

5.8 Future landscape

5.8.1 The dynamic nature of the NPS, technological innovation and the expansion of the regulatory perimeter could result in the expansion of the oversight domain to include new payment system participants, such as the following:

5.8.1.1 **Payment service providers:** These are non-banks that provide payment channels to their clients to make payments.

5.8.1.2 **Domestic money remitters:** These are entities other than banks that accept money or the proceeds of payment instructions and make the funds available for withdrawal at another domestic location.

5.8.2 In financial sector areas outside of the payment system domain and the regulatory, supervisory and oversight mandate, cooperation may be undertaken with other regulators such as the FSCA, PA, Competition Commission and National Credit Regulator to lend support with issues relating to competition, pricing, consumer protection and the safety and soundness of banks.

6. Approach to regulation, supervision and oversight

6.1 Oversight over the NPS spans the entire process of effecting a payment and involves the full process of enabling a payer to make a payment (by means of issuing a payment instruction via a payment instrument such as a debit or a credit card), to the beneficiary receiving the funds in terms of the payment. Items 6.2 to 6.10 below present the NPSD's approach to the oversight of PCSS.

6.2 Monitoring and analysis

6.2.1 Oversight monitors the traditional providers of payment products, newcomers, and emerging developments and trends in payment products, particularly developments such as mobile banking and electronic money. It is conducted according to international standards and is approached from both a macro and a micro perspective.

6.2.1.1 Macro oversight encompasses the monitoring, assessment and evaluation of the payment system at a high level against international best practices, principles and guidelines. This may be followed by the issuance of guidance notes and directives to reduce payment risks and abuse.

6.2.1.2 Micro oversight encompasses the monitoring, assessment, evaluation and regulation of individual institutions and is critical when assessing liquidity practice behaviours of participants.

6.2.2 Through the analysis of PCSS data and information, the NPSD identifies weaknesses and the required remedial action needed across the various areas, including legal, operational, financial and technological aspects.

6.3 Setting rules and incentives

6.3.1 The regulator should aim to design PCSS regulations that have a positive business impact. Typically, participants should be able to recognise the value in complying with these regulations and taking desired action as this would be conducive for a thriving business environment rather than for mere compliance purposes. Regulations and incentives should:

6.3.1.1 provide an enabling environment for innovation as well as product and market development;

6.3.1.2 balance regulatory concerns about risk and competitiveness against the transformational potential of new products; and

6.3.1.3 develop rules based on the outcome of monitoring and assessment, and a clear understanding of the overall policy objectives and risks.

6.3.2 The NPSD is committed to playing a key role in initiating legal and regulatory reforms and implementing initiatives to strengthen the foundations of a PCSS.

6.3.3 A predominantly principles-based approach to PCSS oversight is followed, as it is best suited to adapting to rapid and frequently disruptive market changes. Additionally, this approach can be easily expanded to include new classes of participants and is more effective at ensuring a level playing field between banks and non-banks.

6.4 Catalyst for change

6.4.1 The NPSD serves as a catalyst for the development of payment systems and, where applicable, facilitates the provision of technical assistance from external experts and specialised agencies to address PCSS challenges. Initiatives include addressing proportional regulation relating to anti-money laundering by determining threshold limits that could be used to lower know-your-customer requirements, with a view of lowering the costs associated with providing remittance services.

6.5 Regulatory intervention

6.5.1 Regulations are aimed at, among other things, defining the organisational, functional, technical and security requirements of the PCSS. Regulations for the retail payment systems (which are usually characterised by lower levels of systemic risk but have a critical bearing on public confidence in money) are useful in setting minimum reliability and efficiency requirements for service providers.

6.6 Policy dialogue

6.6.1 The regulatory process is complemented by ongoing policy dialogue between the NPSD and all PCSS stakeholders, including some of the end users.

6.6.2 Interaction and engagement between market participants and regulators can assist in the formulation of regulations that are both appropriate and best serve the interest of the payment system and the broader public interest. Policy dialogue is therefore a prerequisite to ensure a fair representation of public and private interests involved in PCSS activities to shape policy formulation that supports economic development while promoting the efficiency, safety and soundness of the NPS. By incorporating feedback from stakeholders, policy is more likely to serve the achievement of the efficiency, reliability and fairness objective of the NPS.

6.7 Crisis management plans

Technical and financial failures may disrupt the smooth functioning of a payment system. To minimise the risk of disruptions and ensure preparedness for managing disruptive events, cooperation and coordination plans and arrangements have been established.[11] These include continual reviews of the operational environment, adjustments of these plans, and execution of relevant tests followed by appropriate actions.

11 Responsibility of the CPSS and IOSCO 'Principles for financial market infrastructures' requires central banks, market regulators and other relevant authorities to cooperate with each other, both domestically and internationally, as appropriate, in promoting the safety and efficiency of financial market infrastructures.

6.7.1 The NPSD requires a post-crisis review of failures in the NPS, which includes the assessment of causes and effects as well as the proposed remedial action to be taken to avoid and minimise the impact of future crises.

6.8 Research and development

Ongoing research of developments in the payment system environment informs the NPSD's actions, guidance for developments as well as policy development. The NPSD is well positioned to carry out and promote research and continuous development in PCSS-related initiatives, ranging from operational to institutional, technological and long-term development or modernisation.

6.9 Documentation and reporting

6.9.1 The annual *Regulatory an Oversight Report* published by NPSD reports on policy, regulation, oversight, supervision and operational issues addressed, major accomplishments, trends as well as changes within the scope of regulation, supervision, oversight and operations.

6.10 General principles for oversight

6.10.1 To effectively fulfil the oversight role, the NPSD aims to uphold the following principles:

6.10.1.1 transparency in respect of policies, standards and requirements;

6.10.1.2 adoption of internationally recognised standards for payment and settlement systems (where appropriate);

6.10.1.3 effective powers and capacity;

6.10.1.4 consistent application of oversight standards to comparable payment and settlement systems, including systems operated by the central bank;

6.10.1.5 cooperation with other relevant authorities; and

6.10.1.6 any other general principles contained in the PFMI document as well as any other relevant internationally recognised standards.

7. Direct service provision

7.1 The SARB is responsible for directly providing payment settlement services. It is the settlement agent and operator of SAMOS, the country's large-value payment system. The rationale for the SARB's direct provision of PCSS services as 'public goods' is primarily based on the central bank being well positioned for fulfilling this role as well as the objective of ensuring that payment settlement occurs in central bank money.

7.2 Furthermore, the settlement system transmits monetary policy signals and plays a vital role in enabling the SARB to provide liquidity facilities to the market.

8. Cooperation and engagement with other regulators and stakeholders

8.1 Cooperation between the regulator, supervisor and overseer, other regulatory agencies (financial regulators and supervisors) and policymakers is necessary in exchanging information and advice, and to trigger and coordinate timely action in case of emergencies such as crisis management.

8.2 Domestically, the NPSD has established relationships with bodies such as the National Treasury, FSCA, Department of Social Development, South African Social Security Agency (SASSA), National Credit Regulator, Competition Commission, and Financial Intelligence Centre (FIC). Issues of national interest, issues such as financial inclusion, the regulation of FMIs, payment solutions for social grants, market conduct, competition and anti-money laundering are given specific focus.

8.3 Care is taken to prevent cooperation from becoming a pretext for collusive behaviour by dominant market participants – an issue that is especially critical in the retail payments environment. It follows that, while PCSS efficiency and safety require combining competition and cooperation, the possible tension between the two requires undertaking a careful balancing act. In this regard, memorandums of understanding (MoUs) are concluded and relationships are cultivated with other regulatory authorities and departments within the SARB, such as the PA, the Financial Surveillance Department and the Financial Services Department, to exchange information, set the scope and parameters for cooperation, clarify responsibilities and address issues of common interest.

8.4 The Payments Council fosters cooperation and recognises the importance of non-banks within the payments environment.

8.5 Regional and international cooperation has proven to be beneficial in introducing legal reforms of the NPS aimed at attaining greater safety and soundness of cross-border payments and settlement activities.

8.6 At a regional level, the NPSD has been mandated to operate and be the lead overseer of SADC-RTGS. Cooperation within the regional payment system environment is essential for identifying and managing risks that may threaten financial stability through the payment system within the SADC region. In a concerted effort to reduce settlement risks within the region, cooperation among SADC central banks has been promoted by entering into MoUs on the cooperative oversight of SADC-RTGS. In this regard, SADC participants at a commercial level are represented by the SADC Banking Association and the SADC PSMB. These two bodies constantly interact with the SADC Payment System Oversight Committee to address payment issues in the region.

8.7 In further aligning with international payment standards, the NPSD has entered into cooperative oversight arrangements with international authorities such as the CLS and SWIFT.

9. Vision and strategy

9.1 The NPSD develops a vision for the NPS. In this role, one of the NPSD's objectives is to enhance developments in the NPS within an environment that is safe and sound. The first framework and strategy document (Vision 1995), published in November 1995, covered a 10-year period and contained the vision for the NPS departing from a base where only basic infrastructure was in place.

9.2 The second and third framework and strategy documents, published in 2006 and 2011 respectively, were each developed for a five-year horizon, while the fourth framework and strategy document was developed for a seven-year horizon (Vision 2025). Vision 2025 outlines the vision, fundamental principles, strategies and critical success factors for the NPS. Throughout this process, intensive consultation is undertaken with various stakeholders in the payments environment.

Abbreviations

BIS	Bank for International Settlements
CLS	continuous linked settlement
CPMI	Committee on Payments and Market Infrastructures
CPSS	Committee on Payment and Settlement Systems
CPSS Core Principles	CPSS Core Principles for Systemically Important Payment Systems
EFT	electronic funds transfer
FIC Act	Financial Intelligence Centre Act 38 of 2001
FMI	financial market infrastructure
FSCA	Financial Sector Conduct Authority
FSR Act	Financial Sector Regulation Act 9 of 2017
IOSCO	International Organization of Securities Commissions
MoU	memorandum of understanding
NPS	national payment system
NPS Act	National Payment System Act 78 of 1998
NPSD	National Payment System Department
NPS Act	National Payment System Act 78 of 1998
PA	Prudential Authority
PASA	Payments Association of South Africa
PCH	payment clearing house
PCSS	payment, clearing and settlement system
PFMI	Principles for financial market infrastructures
PSMB	Payment System Management Body
RTGS	real-time gross settlement
SADC	Southern African Development Community
SAMOS	South African Multiple Option Settlement
SARB	South African Reserve Bank
SADC-RTGS	Southern African Development Community Real-Time Gross Settlement
SWIFT	Society for Worldwide Interbank Financial Telecommunication