

Business Design Consultative Forum (BDCF) Update_Q1, 2024

The SARB extends its greetings to all our BDCF stakeholders as we kick-off 2024 and continue to maintain our momentum on the journey to renew the RTGS. Part of this communication update is to keep you abreast on the latest developments and share highlights of key events on the renewal journey for the year, particularly that there won't be a BDCF forum hosted during this initial quarter of 2024.

A word from the BDCF Chairperson

It gives me a great pleasure to welcome all our participating partners and nominated representatives in the new year. For us at the SARB, the RTGS renewal is one of our flagship initiatives that contributes to the broader mandate of the Reserve Bank, but equally has a purposeful role to serve in meeting public good goals for the broader South African financial context.

In this brief outlook, we share highlights of the changes affecting the RTGS renewal journey. We also provide a view of how the SARB intends to tackle the identified priorities for maintaining the current effective operating environments for SAMOS and SADC-RTGS, while aligning the intended outcomes to the broader payments ecosystem modernisation vision.

The Domestic and Regional Settlement Services (DRSS) team as the hosts of both RTGS systems, is also making internal preparations to meet current and future capacity and capability requirements in meeting market demands and expectations.

We look forward to your ideas, thoughts and inputs as we journey through this renewal process together to emerge with an RTGS solution that will place South Africa on the global map again.

Rhona Badenhorst
BDCF Chairperson



The state of the BDCF to date

The BDCF has been a great platform to engage and consult market participants on the SARB's vision defining requirements of the RTGS system to meet the needs of the country. You will recall that the future RTGS concept is facilitated through the SARB's renewal programme which aim to modernise and revolutionise the domestic (South Africa) and regional (SADC) settlement systems by fulfilling the following objectives and outcomes:

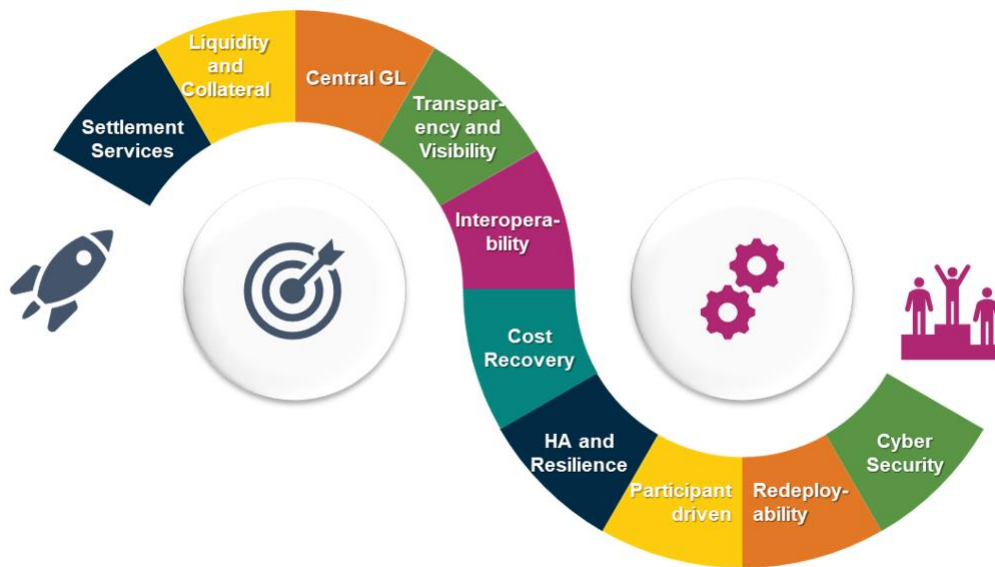
- Encourage competition in the market by allowing players other than the existing participants to use the RTGS infrastructure.
- Minimise the risk in the payment ecosystem by ensuring that data privacy breaches and security risks are minimised for direct and indirect system users.
- Leverage technological developments to extend the reach of digital services to all sectors of society while meeting domestic, regional and international requirements for the benefit of all South Africans, SADC citizens and Africans.

The BDCF has to date primarily reviewed the some of the core business requirements that will underpin the future RTGS landscape. To reflect on these key considerations, the SARB has concluded a formal report on the overall work achieved by this industry forum during the Architecture Phase of the renewal process. The report was shared with various participating banks and relevant stakeholders in January this year. The report highlights outcomes of landmark discussion points and topics relating to settlement principles, liquidity and collateral management, participants on-boarding, roles, and pre-process requirements, just to name a few. We urge you to familiarise yourself with the shared report and extend widely with both your front-end and back-office teams.



As the SARB, we continue to widely share the design principles that have been considered in framing the future RTGS concept. These principles serve as the true north-star for defining and measuring success of the future RTGS functions and services that will serve and meet the needs of our local financial market. As a gentle reminder to refamiliarise all our stakeholders on the basis for this journey, we elected to re-share these principles in this update.

The design of the future RTGS is guided by the following ten principles which were launched at the previous BDCF sessions as foundational elements for delivering a viable future RTGS offering. These principles will address key business challenges identified by the SARB. The principles also consider industry trends in payments and central bank settlement solutions.



1.	Optimising settlement services: This includes refreshing the settlement model, optimising settlement services for existing instruments and implementing new instruments.
2.	Liquidity and collateral management: This involves liquidity optimisation mechanisms and additional collateral options for future products and services, and collateral requirements that need to be managed from within the future RTGS system.
3.	Central general ledger (account management): A uniform accounting approach is required across all current and future instruments.
4.	Transparency and visibility: This will provide transparency and visibility to participants and other players such as industry bodies by embedding notification, reporting and data analytics capabilities.
5.	Interoperability and accessibility: This supports access to the payment ecosystem (including non-banks as well as the formal and informal economy), seamless payment flows and expedited settlements – domestically, regionally and globally.
6.	Cost recovery: This involves the recovery of full operational cost (OPEX) and capital invested (CAPEX) from direct participants.
7.	High availability and operational resilience: This encompasses options for operating a business to support continuous real-time processing 24 hours a day, 7 days a week.
8.	Participant-driven services: This involves ensuring that the future RTGS design accommodates both traditional and non-traditional participants to encourage innovation and increase competition in an effort to bring down payment costs.
9.	Platform redeployability: This means we can reconfigure what we do well in our domestic and regional environment for new and alternative markets.
10.	Cybersecurity: This must be embedded in business, data and technology processes from the start (e.g. secure access, fraud prevention, trust in the ecosystem).

The ten principles briefly summarised and explained:

These principles are fundamental in ensuring a future settlement solution built by using forward-looking financial markets technologies. The future RTGS concept is based on the premise of combining the improved existing capabilities of the system and introducing new innovations. The achievements made by the BDCF remain relevant in the reconfigured structure of the RTGS renewal programme and will continue to inform the future RTGS core design, functionalities, and market offerings.



The reconfiguration of the RTGS Renewal Programme

The RTGS renewal programme has recently been reformed and aligned to the broader SARB's initiative aimed at modernising the broader South African payments ecosystem. The renewal of the RTGS, as a subset of the broader Payments Ecosystem Modernisation Programme, will continue to cater for the requirements of both the domestic and regional RTGS systems.

The SARB's payments ecosystem vision for South Africa is about facilitating and enabling a modernised payments infrastructure that is defined by the following core outcomes.

- a. Maintaining optimal functioning of the current RTGS systems (SAMOS and SADC-RTGS) and develop future RTGS core platform.
- b. Establishment of a public utility infrastructure to enable safe and efficient payment capabilities to the South African public accessible to banks and non-banks.
- c. Expansion of the fast payment system capabilities where transmission of the payment and the availability of final funds to the payee occur in real time, or near-real time and on as near to a 24-hours per day, 7 days a week (24/7) basis as possible.
- d. Provision access to low or no cost stores of value to ensure inclusion of majority of non-banked citizens into the mainstream economy.
- e. Establishment of Financial Digital Identity capabilities as basic components necessary for digital payments to enable easy payments from one person to another. This can be achieved by leveraging options of biometric identification held by the Department of Home Affairs (DHA), the Companies and Intellectual Property Commission (CIPC) and SASSA.

The reimagined payments vision by the SARB seek to optimise the country's investment in payments infrastructure, by not only focusing on the RTGS, but more broadly on the end-to-end payment's ecosystem. The key benefits of this reconfiguration will lead to availability and leveraging of these capabilities to other agencies and broader participant's network. In line with this vision, the SARB will enable low-cost / no cost transactions to the consumer, fostering wide adoption and financial inclusion, as well as reinstate South Africa as a leader in payment systems, globally.



The BDCF remains a key core group that the programme team will share further details on the broader vision of payments ecosystem modernisation and updates on implementation measures and progress relating to each of the core outcomes will continue to be shared with this forum as the programme takes shape.

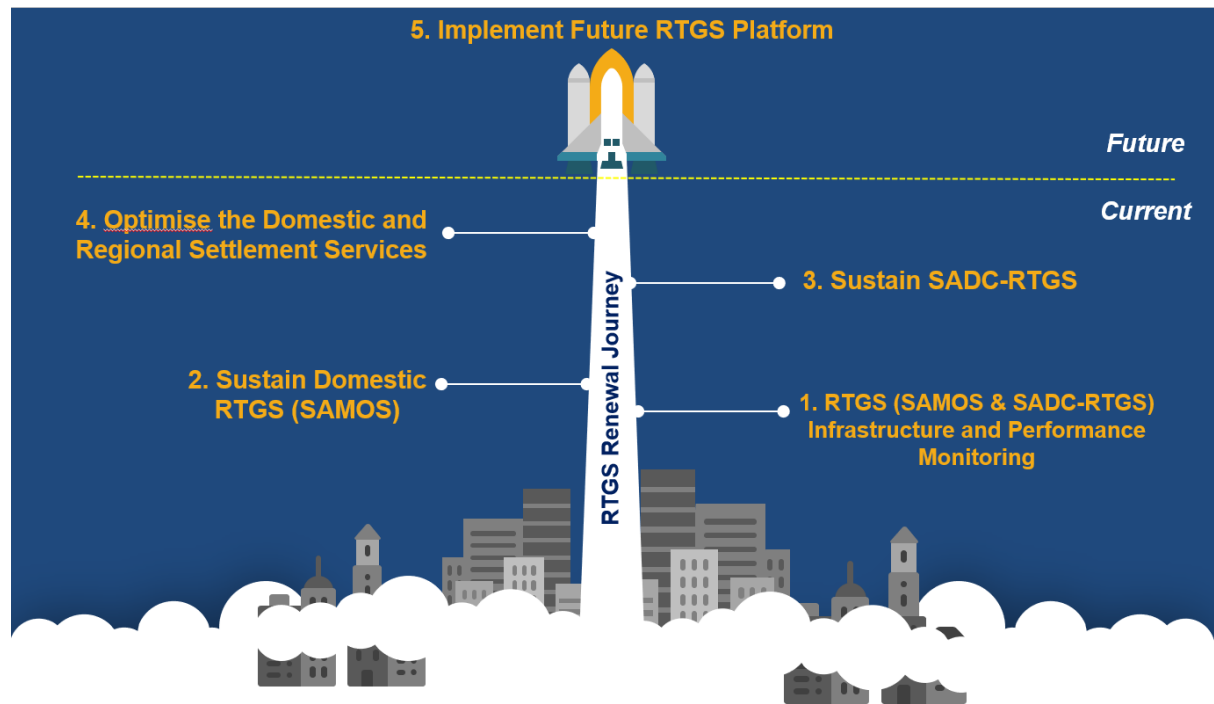
Key milestones in the Renewal Journey

The Renewal programme has been restructured to meet both continuity as well as modernisation objectives. The programme will ensure the SARB can continue to meet the needs and demands of the participating banks through the existing domestic and regional services, while simultaneously developing a modern, future-fit infrastructure that delivers innovative functionalities in line with market demands.

The picture below depicts the revised model by the SARB to fully support optimal functioning of the current operating RTGS systems while developing a future RTGS platform in line with the broader Payment ecosystem. Modernisation goals.



Key initiatives for maintaining the Current RTGS infrastructure and operations.



The delivery of the renewal programme has five core pillars which define and underpin its outcomes:

1. **Infrastructure and performance monitoring** encompasses the effective support and maintenance of the existing RTGS infrastructure so that it continues to meet acceptable performance standards while the SARB designs and plans a new target operating model and architectures for the future RTGS. This focus area contributes to the programme's objective of modernising the settlement infrastructure to enable cheaper, faster and more accessible payments in the future.



2. **Sustaining SAMOS** as the South African RTGS system requires key operational targeted outcomes such as managing and implementing ISO 20022 enhancements following the successful implementation of this global standard in 2022. This focus area is also about continuing to meet compliance requirements, facilitating critical system integration as well as implementing continuous system enhancements. For instance, the programme is assessing the feasibility of implementing extended or 24/7 operating hours for both the SAMOS and the SADC-RTGS systems.
3. **Sustaining SADC-RTGS** to ensure it meets its cross-border payments mandate as well as achieves some of the following new outcomes:
 - Implement ISO 20022 as a global messaging standard to enable efficient, transparent and secure transactions for the SADC region. The SARB has set **10 June 2024** as the official implementation date for the SADC-RTGS ISO 20022 Migration Project.
 - Increase direct participation of banks and non-banks on the SADC-RTGS system by expanding the service and product offerings that are feasible in the medium and long term, and that are based on market demands and internal system readiness.
 - Onboard the US dollar and other regional currencies, besides the rand, as preferred settlement options.
4. **Optimising the DRSS component** is the cornerstone of a future-fit, modern and innovative RTGS system. This leg of the renewal programme promises to alter the current trajectory of our payment and settlement operations by implementing future operating models that are informed by the following key initiatives:
 - Execute the new target operating model currently being developed in partnership with KPMG.
 - Develop and implement the enablement technologies and tools defined and identified in the target operating model and defined in the future RTGS architecture roadmap.



- Identify and implement business processes that can be automated using robotics.
 - Establish a settlement rule unit as part of the new operating model and migrate this function from the Payment Association of South Africa (PASA) to the SARB's DRSS environment.
 - Design and implement a new organisational structure for the DRSS Division to support the new target operating model.
 - Identify and develop requisite skills and talent in the SARB to support the critical capabilities needed to operate the future RTGS platform.
5. **Implementing the future RTGS platform** which will completely replace the current domestic and SADC-RTGS systems. This future platform will be the culmination of all the initiatives as shared in pillar four (above) and will operate based on the new target operating model and architecture described in this pillar.

What to look out for in BDCF for 2024?

The BDCF agenda will resume in Q2 of the 2024. The relevant communication will be shared ahead of time to ensure all representatives can attend and continue to make this engagement platform successful in pursuing the RTGS renewal goals within the ambit of the payment modernisation vision.

The following are some of the few highlights of milestones and programme engagements that the SARB will be driving under the umbrella of payments ecosystem modernisation. So please be in the look out as for the events or occurrences as some will serve as key touch points for most you in the BDCF.





Payments Ecosystem Modernisation industry dialogue which aims to:

- Gain global inputs and insights from selected international jurisdictions' payments modernisation journeys;
- Serve as a platform to launch the SARB's payments modernisation vision and collaboratively engage diverse stakeholders on the various concepts underpinning the future vision; and
- Collaboratively set the priorities on key aspects of the payments modernisation journey.

BDCF Resume with the launch of a Technical Design Forum

A Technical Design Forum will be established to coordinate inputs, reviews and align technical requirements for the future RTGS requirements in line with the broader ecosystem modernisation journeys.

SADC-RTGS ISO 20022 Go-Live

The Operator will implement ISO 20022 as a global messaging standard to enable efficient, transparent and secure transactions for the SADC region.

We urge all BDCF members to familiarise themselves with the recently published BDCF report and the forum Terms of Reference, especially where new or additional nominees are being considered. Any further questions and requests regarding the BDCF can be directed to BDCF@resbank.co.za.

