



Principles for Financial Market Infrastructures (PFMI)  
 Public Disclosure of the Southern African Development Community  
 (SADC) Integrated Regional Electronic Settlement System (SIRESS)  
 Self-Assessment 2018

Responding institution	South African Reserve Bank (SARB)
Responding FMI	SIRESS
Jurisdiction(s) in which the FMI operates	South Africa; and The Southern African Development Community (SADC)
Regulating, supervising, or overseeing Authority	SARB, and the SADC Payment System Oversight Committee
Date of disclosure	31 March 2018
Where to find this disclosure	<a href="http://www.resbank.co.za">http://www.resbank.co.za</a> and <a href="http://www.sadcbankers.org">www.sadcbankers.org</a>
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## Acronyms

Abbreviation	Term
BCP	Business Continuity Plan
BIS	Bank for International Settlements
BREC	Board Risk and Ethics Committee
CBPL	Continuous Batch Processing Line
CCBG	Committee of Central Bank Governors
CCP	Central Counterparty
COMFI	Committee of Ministers for Finance and Investment
CPL	Continuous Processing Line
CPSS	Committee on Payment and Settlement System
CSC	Customer Support Centre
CSD	Central Securities Depository
FIP	Protocol on Finance and Investment
FMI	Financial Market Infrastructure
GEC	Governors' Executive Committee
IOSCO	International Organization of Securities Commissions
MoU	Memorandum of Understanding
NPS	National Payment System
NPSD	National Payment System Department
ORM	Operational Risk Management
PCH	Payment Clearing House
PFMI	Principles for Financial Market Infrastructures
PSMB	Payment System Management Body
PSOC	Payment System Oversight Committee
RCS	Regional Clearing and Settlement
RCSO	Regional Clearing and Settlement System Operator
RMC	Risk Management Committee
RMCD	Risk Management and Compliance Department
RPS	Regional Payment Scheme
RTGS	Real Time Gross Settlement
RTL	Real Time Line
SADC	Southern African Development Community
SADC BA	Southern African Development Community Bank Association

SADC-RTGS	The Southern African Development Community Real-Time Gross Settlement system
SAMOS	South African Multiple Option Settlement (system)
SARB	South African Reserve Bank
SARB Act	South African Reserve Bank Act, 1989 (Act No 90 of 1989), as amended.
SLA	Service Level Agreement
SWIFT	Society for Worldwide Interbank Financial Telecommunication

# Table of Contents

- 1. Executive Summary..... 4**
- 2. Introduction..... 4**
- 3. Summary of major changes..... 5**
- 4. General background of the FMI ..... 5**
- 5. Principle-by-Principle Summary of the Narrative Disclosure..... 8**
  - PRINCIPLE 1: LEGAL BASIS..... 8
  - PRINCIPLE 2: GOVERNANCE ..... 9
  - PRINCIPLE 3: FRAMEWORK FOR THE COMPREHENSIVE MANAGEMENT OF RISKS..... 10
  - PRINCIPLE 4: CREDIT RISK ..... 11
  - PRINCIPLE 5: COLLATERAL..... 11
  - PRINCIPLE 6: MARGIN ..... 12
  - PRINCIPLE 7: LIQUIDITY RISK..... 12
  - PRINCIPLE 8: SETTLEMENT FINALITY ..... 13
  - PRINCIPLE 9: MONEY SETTLEMENTS..... 13
  - PRINCIPLE 10: PHYSICAL DELIVERIES ..... 14
  - PRINCIPLE 11: CENTRAL SECURITIES DEPOSITORIES ..... 14
  - PRINCIPLE 12: EXCHANGE OF VALUE SETTLEMENT SYSTEMS..... 14
  - PRINCIPLE 13: PARTICIPANT-DEFAULT RULES AND PROCEDURES..... 15
  - PRINCIPLE 14: SEGREGATION AND PORTABILITY ..... 15
  - PRINCIPLE 15: GENERAL BUSINESS RISK..... 16
  - PRINCIPLE 16: CUSTODY AND INVESTMENT RISKS ..... 16
  - PRINCIPLE 17: OPERATIONAL RISK ..... 16
  - PRINCIPLE 18: ACCESS AND PARTICIPATION REQUIREMENTS RISK..... 17
  - PRINCIPLE 19: TIERED PARTICIPATION ARRANGEMENTS..... 18
  - PRINCIPLE 20: FMI LINKS ..... 18
  - PRINCIPLE 21: EFFICIENCY AND EFFECTIVENESS..... 18
  - PRINCIPLE 22: COMMUNICATION PROCEDURES AND STANDARDS..... 19
  - PRINCIPLE 23: DISCLOSURE OF RULES, KEY PROCEDURES, AND MARKET DATA ..... 19
  - PRINCIPLE 24: DISCLOSURE OF MARKET DATA BY TRADE REPOSITORIES ..... 20

# 1. Executive Summary

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## Overview of the SADC-RTGS

SIRESS was implemented on 22 July 2013. It is based on the South African domestic RTGS system, the South African Multiple Option Settlement system, (SAMOS). SIRESS is operated by the SARB, as appointed by the SADC member central banks participating in SIRESS. Participants in SIRESS include central banks and financial institutions, i.e. banks and non-banks in the SADC region that are authorised by their respective central bank to participate in their domestic settlement system in that country. The FMI derives its mandate to provide services in terms of stakeholders' agreements, as executed by the SARB and the participating SADC central banks. The types of risks that arising or are borne by, the FMI include operational risk, settlement risk, legal risk, liquidity risk, and reputational risk. Risk management is conducted in line with the SARB Risk Management Policy.

The self-assessment includes a description of SIRESS operations and describes how the SIRESS Operator as an FMI complies with each Principle applicable to it. The self- assessment has been compiled by a division in the SARB's National Payment System Department (NPSD), namely the Domestic and Regional Services Division, as the operator of the FMI and other relevant stakeholders in the SARB.

Since 10 September 2013, the South African Reserve Bank (SARB) has endorsed the PFMI as the risk management standard for systemically important FMIs in South Africa<sup>1</sup>.

The first self-assessment report was published on 30 March 2017. It covered the SARB's operations of the Southern African cross-border real-time gross settlement (RTGS) system, called the Southern African Development Community (SADC) Integrated Regional Electronic Settlement System (SIRESS). This is the first summary to the self-assessment of the SARB's operations of SIRESS against the applicable PFMI.

## 2. Introduction

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### Objective of the public disclosure

The objective of the public disclosure to the self-assessment is to provide a summary of SIRESS's observance of the PFMI. It provides an overview of the policies applicable to SIRESS, as well as processes and procedures that SIRESS has put in place.

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<sup>1</sup> Position paper titled NPS 01/2013 published on 10 September 2013, file ref. no. 18/5/1 – 2013

### 3. Summary of major changes

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Noting that this is the first time that the SADC-RTGS provides the public disclosure, the published 2018 full self-assessment reflects changes since the previous assessment.

The assessment was updated to include business changes with regard to the operational risk function in the National Payment System Department (NPSD) of the South African Reserve Bank (SARB), the establishment of the Southern African Development Community (SADC) Integrated Regional Electronic Settlement System (SIRESS) User Group (SUG) and the holding of its inaugural meeting, and the review of the SARB's Governance arrangements.

### 4. General background of the FMI

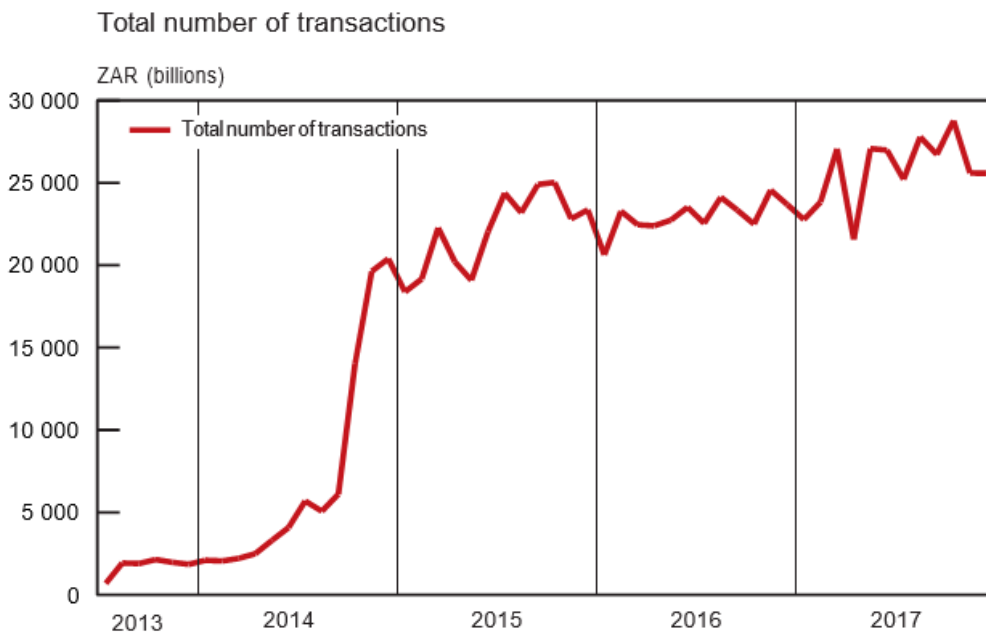
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The regional cross-border real-time gross settlement (RTGS) system in the SADC region is called SIRESS. SIRESS is an automated interbank settlement system operated by the SARB, as appointed by the participating SADC central banks, to settle their obligations and payments on an immediate, real-time basis in the region. SIRESS settles on a prefunded basis. It is a single-currency settlement system that settles in the South African rand.

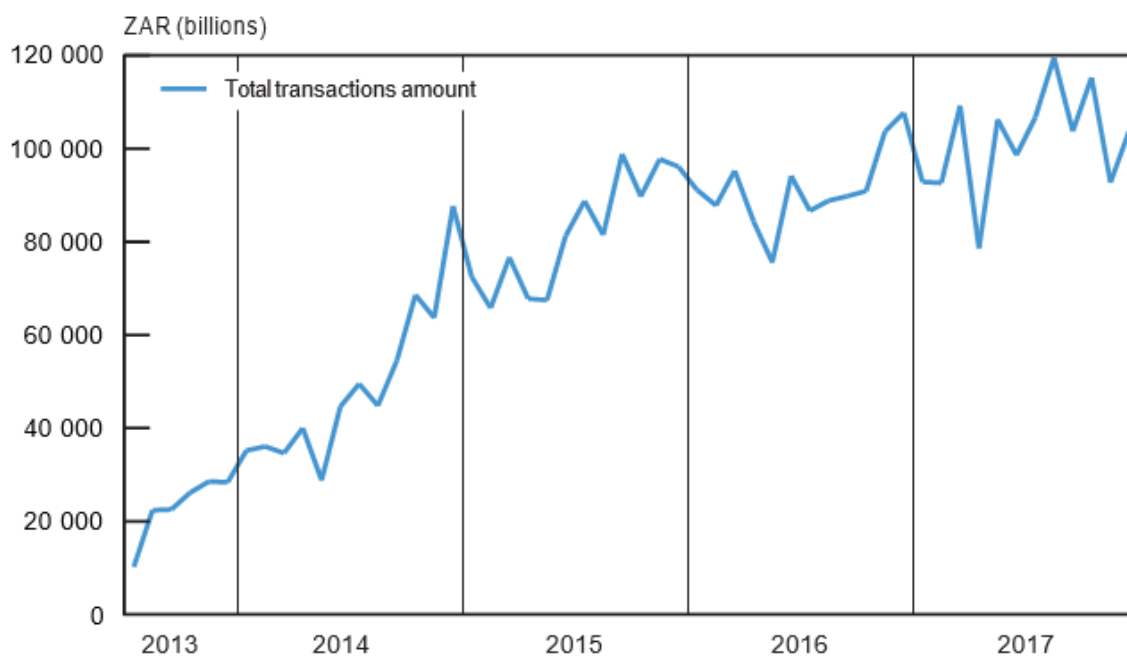
SIRESS settles single settlement instructions between participating banks. The functionality to process batched payment instructions was developed and implemented in the system in September 2015. SIRESS provides three settlement options to banks, namely the real-time line (RTL), continuous processing line (CPL) and the continuous batch processing line (CBPL) settlements.

The following depicts basic data and performance statistics on the services and operations of SIRESS.

**Figure 1 Settlement volumes – July 2013 to December 2017**



**Figure 2 - Settlement values – July 2013 to December 2017**



### **General organisation of the FMI**

Article 8 of the SADC Protocol on Finance and Investment (FIP) provides that the state parties shall ensure cooperation among their central banks in relation to the payment, clearing, and settlement system. Annexure 6 of the FIP recognises that central banks must cooperate through policy coordination, capacity building, and system development, which in turn will contribute to reform, the facilitation of cross-border payments, and support for monetary-policy objectives.

Article 3(b) of Annexure 6 of the FIP provides the framework for cooperation and coordination between the central banks in order to define and implement a cross-border payment strategy for the SADC region.

The financial market infrastructure (FMI) is owned by SADC through the Committee of Central Bank Governors (CCBG). Notwithstanding the overall ownership, the intellectual property rights in and to the system used in the operation of the FMI, which system was developed by adapting the South African Multiple Option Settlement (SAMOS) system, remain vested in the SARB. SIRESS is operated by the SARB. The ownership matters and decision-making processes of SIRESS fall under the governance structures of the CCBG.

The South African Reserve Bank Act 90 of 1989 (SARB Act) was amended in 1996 to clarify the role and responsibility of the SARB in the domestic payment system. Section 10(1)(c)(i) of the SARB Act empowers the SARB to 'perform such functions, implement such rules and procedures and, in

general, take such steps as may be necessary to establish, conduct, monitor, regulate and supervise the payment, clearing or settlement systems’.

The National Payment System Act 78 of 1998 (NPS Act) enables the SARB to perform the functions provided for in the SARB Act. The authority to perform these functions is vested in the SARB’s NPSD.

### **The legal and regulatory framework**

SIRESS is supported by a well-established legal framework primarily based on rules, operating procedures, contractual agreements, laws, and regulations.

The NPS Act provides the legal framework for the payment system that includes the management, administration, operation, regulation, and supervision of the payment, clearing, and settlement systems in South Africa. The NPS Act also provides for the regulatory and supervisory powers of the SARB to manage and control all payment-related risks.

Section 4A(1) of the NPS Act provides that the SARB may designate a settlement system if such a designation is in the interest of the integrity, effectiveness, efficiency and/or security of the payment system. SIRESS has been designated as such a settlement system and therefore falls under the ambit of the NPS Act.

SIRESS’s legal arrangements are based on a contractual basis through a number of multilateral agreements. The agreements are meant to provide legal certainty in the absence of an appropriate SADC-wide legal and regulatory framework for payment, clearing, and settlement systems.

The Stakeholders Agreement for the operation of SIRESS is signed by each participating central bank and the SARB as the SIRESS operator. The SIRESS Service Agreement is executed by the SIRESS operator and the SIRESS participants. The SIRESS Settlement Agreement, for the settlement of payment obligations in the SADC integrated regional payment system, is executed between the SIRESS participants.



## 5. Principle-by-Principle Summary of the Narrative Disclosure

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The following section provides a summary narrative disclosure for each of the principles that are applicable to provide details of SADC-RTGS's key policies, processes and procedures, controls, approaches and initiatives that have been put in place. These provides for safe and sound operations of SADC-RTGS and support observance of the PFMI. They have been compiled to give an overview of VEL's response to each of the detailed questions within the PFMI:

### Disclosure Framework and Assessment Methodology.

#### PRINCIPLE 1: LEGAL BASIS

##### Principle narrative

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

As a robust legal basis for an FMI's activities in all relevant jurisdictions is critical to an FMI's overall soundness, this Principle should be reviewed holistically with the other Principles.

Article 8 of the FIP provides that the state parties shall ensure cooperation among their respective central banks in relation to the payment, clearing, and settlement system. Annexure 6 of the FIP recognises that central banks must cooperate through policy coordination, capacity building, and system development, which in turn will contribute to reform, the facilitation of cross-border payments, and support for monetary-policy objectives.

Article 3(b) of Annexure 6 of the FIP provides the framework for cooperation and coordination between the central banks in order to define and implement a cross- border payment strategy for the SADC region.

The SARB means the South African Reserve Bank established by section 9 of the Currency and Banking Act 31 of 1920 (Currency and Banking Act).<sup>3</sup> The SARB is governed by the laws of the Republic of South Africa.

SIRESS is comfortable that the provision of settlement services is supported by a well-established legal foundation primarily based on statutes, regulations, rules, operating procedures, and contractual agreements. Section 10(1)(c) of the SARB Act makes provision for the SARB to perform such functions, implement such rules and procedures, and, in general, take such steps as may be necessary to establish, conduct, monitor, regulate, and supervise payment, clearing, or settlement systems.

The NPS Act provides the legal framework for the payment system. Section 4A(1) of the NPS Act provides that the SARB may designate a settlement system if such a designation is in the interest of the integrity, effectiveness, efficiency, or security of the payment system. SIRESS has been designated as such a settlement system.

The legal arrangements of SIRESS are based on a contractual basis through a number of bilateral and multilateral agreements. These agreements are meant to provide legal certainty in the absence of an appropriate SADC legal and regulatory framework for payment, clearing, and settlement systems.

## **PRINCIPLE 2: GOVERNANCE**

### **Principle narrative**

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

### **Assessment of compliance**

The SARB, as the SIRESS operator, observes Principle 2.

All the key considerations are observed. The FMI is operated by the SARB and has wide public-policy objectives and responsibilities, including monetary policy. The Board of the SARB has delegated certain responsibilities to the line management that is applicable to the FMI.

SIRESS is subject to the governance arrangements as per the NPS Act, which is driven by the mission statement of the NPSD as well as the clearly defined objectives of the NPS industry. The SARB acts as an overseer of the NPS. The NPSD has the responsibility for implementing the framework and strategy agreed to by the SARB and the banking industry. The NPSD strives to reduce and manage the risks in the NPS by promoting compliance with accepted international best practice relevant to payment systems. The NPSD is primarily focused on the domestic NPS but also plays a vital role in the development of the payment systems in SADC.

These elements place a high priority on the safety and efficiency of the FMI entities and support financial stability. Additionally, SIRESS is operated and managed under robust policies and controls, which allows for strategic risk management and operational risk management (ORM) within the FMI.

According to the SARB Act, the Board shall be responsible for the corporate governance of the SARB by ensuring compliance with the principles of good corporate governance as well as adopting rules and determining policies for the sound accounting, administration, and functioning of the SARB. The Governor and the Deputy Governors are responsible for policy issues and the day-to-day management of the SARB.

SIRESS is owned by SADC through the SADC CCBG. Notwithstanding the overall ownership, the intellectual property rights in and to the system which are used in the operation of SIRESS remain vested in the SARB. SIRESS is operated by the SARB, however, ownership matters and the decision-making processes of SIRESS fall under the governance structures of the CCBG.

Both governance arrangements are clear and transparent and promote the safety and efficiency of SIRESS and support the stability of the broader financial system and public-interest considerations.

With regard to ownership governance arrangements, the obligations are evidenced in the MoU for Cooperative Oversight of SIRESS (MoU for SIRESS) and the SIRESS Oversight Guide, as executed by the participating central banks.

The CCBG does not have the legal status to contract third parties. All contracts are co-signed by all the Governors in the CCBG.

The SARB Board is responsible for the ultimate direction, support, and supervision strategy of the SARB as a whole, as well as for governance and compliance arrangements and relevant control functions. The governance arrangements clearly specify the roles and responsibilities of the Board of the SARB and its subsidiaries.

## **PRINCIPLE 3: FRAMEWORK FOR THE COMPREHENSIVE MANAGEMENT OF RISKS**

### **Principle narrative**

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational and other risks. In reviewing this principle, an assessor should consider how the various risks, both borne by and posed by the FMI, relate to and interact with each other. As such, this principle should be reviewed holistically with the other principles.

### **Assessment of compliance**

The SARB observes Principle 3.

The SARB views risk management as an essential element of good corporate governance. Risk is therefore inherent in all operations of SIRESS as the management of risk is critical in successful operations of SIRESS. The payment system is well designed and well-structured to minimise applicable risks to its participants and all other stakeholders.

To enable risk management, the SARB Group Risk Management Policy is formally documented and reviewed regularly to ensure that all potential risks relating to FMI operations can be identified, assessed, measured, monitored, and reported. Legislation provides the legal underpinnings for the SARB's risk management framework and risk design.

A structured risk assessment is conducted from the SARB Group-wide strategic level, company-wide through to departmental level, and operational levels in respect of policy risk and reputational risk.

## **PRINCIPLE 4: CREDIT RISK**

### **Principle narrative**

An FMI should effectively measure, monitor and manage its credit exposure to participants and those arising from its payment, clearing and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.

### **Assessment of compliance**

Principle 4 is not applicable to SIRESS as an FMI.

With regard to credit extensions to participants, SIRESS currently does not offer any credit extension to participants and thus no collateral facilities. SIRESS operates on a pre-funded basis where the participants' accounts must be prefunded prior to settlement. Liquidity is provided by transferring funds from the South African domestic RTGS (SAMOS) system into SIRESS.

## **PRINCIPLE 5: COLLATERAL**

### **Principle narrative**

An FMI that requires a collateral to manage its or its participants' credit exposure should accept a collateral with low credit, liquidity and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

### **Assessment of compliance**

Principle 5 is not applicable to SIRESS.

With regard to collateral arrangements, SIRESS currently does not offer any collateral facilities to participants. The participants' accounts must be prefunded prior to settlement. Liquidity is provided by transferring funds from SAMOS into SIRESS. Collateral may be raised in the domestic jurisdiction of the participant using domestic facilities. The participants will then proceed to borrow funds in SAMOS and use domestic arrangements for collateral, but this is outside of the domain of SIRESS.

## **PRINCIPLE 6: MARGIN**

### **Principle narrative**

A central counterparty (CCP) should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.

### **Assessment of compliance**

Principle 6 is not applicable to SIRESS.

## **PRINCIPLE 7: LIQUIDITY RISK**

### **Principle narrative**

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

### **Assessment of compliance**

The SARB, as the SIRESS operator, observes Principle 7.

Settlement in SIRESS is based on the prefunding principle, in terms of which any interbank fund transfer will be effected only if sufficient funds are available in the paying bank's settlement account.

SIRESS itself as an FMI does not act as a liquidity provider and does not have liquidity needs, and therefore does not bear liquidity risk. However, the SIRESS Operator emphasises that it is essential for all participants to manage their liquidity needs to ensure prompt settlement.

In providing a settlement service, liquidity and market risks are linked. The SARB defines 'liquidity risk' as the risk of a participant's inability to fund obligations as scheduled because of liquidity constraints, resulting in losses to other SIRESS participants, unexpected calls on liquidity facilities and/or the settlement of low- value payment RCSO obligations.

## **PRINCIPLE 8: SETTLEMENT FINALITY**

### **Principle narrative**

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

### **Assessment of compliance**

The SARB, as the SIRESS operator, observes Principle 8.

The NPS Act clearly outlines the conditions applicable to settlement, when settlement occurs and the responsibilities of all stakeholders involved.

Payments are settled in SIRESS in central-bank money. The settlement of payment instructions across the books of the SARB as well as the funding between settlement members and the SARB via central-bank accounts is final and irrevocable once the relevant accounts have been appropriately debited and credited.

Section 5 of the NPS Act provides for the settlement following settlement provisions that settlement that has been effected in money or by means of entry to the credit; or entry to or payment out of the account of the account maintained by a settlement system participant in the SARB settlement system or a designated settlement system is final and irrevocable, and may not be reversed or set aside.

SIRESS also sets out the point of settlement finality, where settlement cannot be reversed or set aside. The FMI provides settlement services to participants in the books of the SARB.

## **PRINCIPLE 9: MONEY SETTLEMENTS**

### **Principle narrative**

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.

### **Assessment of compliance**

The SARB observes Principle 9.

The FMI is operated by the SARB, a central bank under appointment by the SADC CCBG. Funding and settlement in SIRESS are separate and distinct but related processes. Funding in the South African rand is done from the SAMOS system by the SAMOS–SIRESS participant banks. Payment instructions are settled across the books of the SARB. Payment is made to and from the SARB via the central bank accounts which the SARB has allocated to each participating settlement bank.

Settlement in SIRESS occurs in central-bank money. It is currently a single-currency settlement system in the South African domestic currency, the Rand.

SIRESS does not settle in commercial bank money. Settlement instructions are settled across prefunded SIRESS accounts, and therefore the FMI is not exposed to credit or liquidity risks.

## **PRINCIPLE 10: PHYSICAL DELIVERIES**

### **Principle narrative**

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities, and should identify, monitor, and manage the associated risks with such physical deliveries.

### **Assessment of compliance**

Principle 10 is not applicable to the NPS and SIRESS

## **PRINCIPLE 11: CENTRAL SECURITIES DEPOSITORIES**

### **Principle narrative**

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.

### **Assessment of compliance**

Principle 11 is not applicable to the NPS, and therefore not to SIRESS as the FMI is not a CSD.

## **PRINCIPLE 12: EXCHANGE OF VALUE SETTLEMENT SYSTEMS.**

### **Principle narrative**

If an FMI settles transactions that involve the settlement of two linked obligations (e.g. securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.

### **Assessment of compliance**

Principle 12 is not applicable to SIRESS as an FMI.

## **PRINCIPLE 13: PARTICIPANT-DEFAULT RULES AND PROCEDURES**

### **Principle narrative**

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures, and continue to meet its obligations.

### **Assessment of compliance**

SIRESS partly observes Principle 13. Key consideration 3 is not observed in line with the mandates of the SARB and SADC PSOC. Key consideration 4 has not been tested yet, and its appropriateness must still be discussed with the SADC PSOC.

The NPS Act and the SIRESS settlement agreement provide for processes and procedures to be followed in the event of a participant's failure due to insolvency, curatorship, or a business rescue. The NPS Act and the settlement agreement do not define the moment of default or 'zero hour'. However, the SIRESS service agreement provides for the participant to be penalised in the event that the participant defaults as a result of insufficient funds being available to meet the participant's obligations or where the actions or omissions of the participant negatively impact on SIRESS.

The SIRESS service agreement defines the rights and responsibilities of the participant and the SIRESS operator as well as the actions that the SIRESS operator may take in the event of a settlement failure, default, or insolvency proceeding against a participant.

The settlement agreement provides for the process to be followed and the stakeholders to take appropriate action when a SIRESS participant falls under business rescue. SIRESS has therefore put in place controls to minimize the impact of a participant insolvency.

## **PRINCIPLE 14: SEGREGATION AND PORTABILITY**

### **Principle narrative**

A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.

### **Assessment of compliance**

Principle 14 is not applicable to the NPS and SIRESS.



## **PRINCIPLE 15: GENERAL BUSINESS RISK**

### **Principle narrative**

An FMI should identify, monitor and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

### **Assessment of compliance**

The SARB, as the SIRESS operator, observes Principle 15.

Since the services are provided by a central bank, key considerations 2 to 5 are not applicable. The requirement to hold ring-fenced liquid net assets funded by equity to cover business risk and support a recovery or a wind-down plan does not apply to the central-bank FMI given a central bank's inherent financial soundness. The SARB has a robust framework to identify, monitor, and manage its general business risks under the overall risk management framework, as discussed under Principle 3 and Principle 17.

## **PRINCIPLE 16: CUSTODY AND INVESTMENT RISKS**

### **Principle narrative**

An FMI should safeguard its own and its participants' assets and minimise the risk of loss on, and delay in, access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

### **Assessment of compliance**

Principle 16 is not applicable to SIRESS.

## **PRINCIPLE 17: OPERATIONAL RISK**

### **Principle narrative**

An FMI should identify the plausible sources of operational risk, both internal and external and mitigate their impact through the use of appropriate systems, policies, procedures and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for the timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

## **Assessment of compliance**

The SARB observes Principle 17.

For SIRESS, an operational risk function is in place within the NPSD, which provides for a systematic, structured, and transparent approach to managing operational risks in the FMI.

Operational risk in the FMI is mitigated through the design and architecture of the system and processes, which provides for system integrity and security as well as the availability of FMI operations. SIRESS has a high degree of operational reliability due to the resilience of its technical architecture and infrastructure, which enables the FMI to render settlement services to participating institutions.

As set out in Principle 3, The SARB Group Risk Management Policy forms the basis for governing and integrating risk management in the SARB. Since the inception of SIRESS, the SARB has put policies, processes, and controls in place to manage or mitigate any potential operational risks.

## **PRINCIPLE 18: ACCESS AND PARTICIPATION REQUIREMENTS RISK**

### **Principle narrative**

A payment system should have objective, risk-based, and publicly disclosed criteria for participation which permit fair and open access.
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## **Assessment of compliance**

The SARB, as the SIRESS operator, observes Principle 18.

The rules, which are publicly available, define the requirements for initial and continuing participation in SIRESS. Upon joining, participants are continuously monitored for compliance with the regulatory framework. Failure to abide by these regulations could result in suspension from the system.

SIRESS has an open and transparent participation criteria which is publicly disclosed. The requirements and the processes to be followed in order to participate in SIRESS, and procedures to be followed to facilitate suspension and termination of membership are available from the SADC Banking Association free of charge.

## **PRINCIPLE 19: TIERED PARTICIPATION ARRANGEMENTS**

### **Principle narrative**

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

### **Assessment of compliance**

Principle 19 is not applicable to SIRESS. Tiered participation is not allowed in SIRESS.

## **PRINCIPLE 20: FMI LINKS**

### **Principle narrative**

An FMI that establishes a link with one or more FMI should identify, monitor and manage link-related risks.

### **Assessment of compliance**

Principle 20 is not applicable to the NPS.

## **PRINCIPLE 21: EFFICIENCY AND EFFECTIVENESS**

### **Principle narrative**

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

### **Assessment of compliance**

The SARB, as the SIRESS operator, observes Principle 21.

SIRESS efficiently and effectively meets the requirements of its participants and the industry it serves by providing a valuable settlement service. The SARB seeks feedback from participating central banks, other participants, and interested parties.

The SIRESS operator interacts with the participants via the participants' representative body, namely the SADC PSMB. However, the body is an independent governance structure of the SADC Banking Association, with specific powers to administer SADC payment schemes.

The SIRESS User Group was constituted and established in July 2017. The inaugural meeting was held that same month. The objective of the User Group is for the SIRESS operator to meet with the participants in order to discuss the SIRESS operator's performance, level of customer service, the

efficiency of SIRESS services, cost recovery policy matters, the effectiveness of system implementation and upgrades, offered products and services, and other relevant matters.

The outcomes of the User Group's meetings are shared with the SADC PSOC, the SADC PSMB, and other interested parties (where relevant). The information is taken into account when planning strategic initiatives

## **PRINCIPLE 22: COMMUNICATION PROCEDURES AND STANDARDS**

### **Principle narrative**

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement and recording.

### **Assessment of compliance**

The SARB observes Principle 22.

SIRESS uses internationally accepted message standards and communication protocols with participants and system operators. The SWIFT (FIN) service is utilised for the messaging.

SIRESS supports the appropriate internationally accepted standards for the communication of financial instructions. All message formats comply with the SWIFT message standards, and utilises the SWIFT FIN service for the messaging.

## **PRINCIPLE 23: DISCLOSURE OF RULES, KEY PROCEDURES, AND MARKET DATA**

### **Principle narrative**

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

### **Assessment of compliance**

The SARB, as the SIRESS operator, broadly observes Principle 23. With special reference to key consideration 5, SIRESS as an FMI has now completed the CPSS–IOSCO disclosure framework.

The SARB recognises the need for transparency and appreciates the need for participants to fully comprehend the risks of participating in the settlement service. To facilitate this, the SARB maintains comprehensive rules and procedures which are made available to the SARB's members and, where appropriate, to the public.

The SARB, as the SIRESS operator, provides monthly data on the volumes, the values, the incident reports (where relevant), the number of participants, and the list of participants to the SADC PSOC

country leaders, the SADC PSMB, and the SADC Secretariat. Some of the information on participants is published on the CCBG website.

On its website, the SARB makes public (in English) a significant amount of information about itself and its subsidiaries, bank supervision services and regulations, certain market data, regulatory and oversight information (including details on the NPS oversight framework), and speeches delivered by the Governor of the SARB and other counterparties to the South African NPS. The SARB also publishes all relevant regulatory consultation documents, governance information, annual reports, risk frameworks, best practice, and press releases.

The SADC CCBG, as the owner of SIRESS, broadly observes Principle 23. The SADC Secretariat publishes information about the FIP performance matrix in the SADC FIP Monitoring and Evaluation Report .... The information is also shared with the SADC member states, the European Union, and the Finmark Trust.

The SADC payment system project maintains a payment system statistical database which gathers and provides information about the status of the payment system in the member states. The information is provided by the central banks and is then made available to the general public and other interested parties.

## **PRINCIPLE 24: DISCLOSURE OF MARKET DATA BY TRADE REPOSITORIES**

### **Principle narrative**

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.
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### **Assessment of compliance**

Principle 24 is not applicable to the NPS.

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