



Southern African Development Community
Real Time Gross Settlement System
SADC-RTGS
Statement of Objectives

Document Glossary

Abbreviation	Term
BSTD	Business Systems and Technology Department
CCBG	Committee of Central Bank Governors
CPL	Continuous Processing Line
FIP	The SADC Protocol on Finance and Investment
FMI	Financial Market Infrastructure
ICT	Information and Communication Technology
PSOC	The SADC Payment System Oversight Committee
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, formerly known as SIRESS
SAMOS	The South African Multiple Option Settlement system
SARB	South African Reserve Bank
SIRESS	The Southern African Development Community Integrated Regional Electronic Settlement System, currently known as SADC-RTGS

Table of Contents

1. Document Purpose.....	3
2. The SADC Payment System Integration.....	3
3. General description of SADC-RTGS and the market it serves.....	3
4. General organisation of SADC-RTGS.....	4
5. Objectives of SADC-RTGS as an FMI.....	4
5.1 SADC-RTGS prioritise safety and efficiency in its objectives.....	4
5.2 SADC-RTGS supports financial stability in the SADC region	5
5.3 Public good service to support the SADC financial services integration.....	5

1. Document Purpose

The purpose of this document is to outline the statement of objectives for the Southern African Development Community (SADC) Real Time Gross Settlement (SADC-RTGS) system as a Financial Market Infrastructure (FMI) regarding safety, efficiency and how these objectives support financial stability and other relevant public policy considerations within the region.

2. The SADC Payment System Integration

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, 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.

In execution of the mandate as per the FIP, the SADC-RTGS system was developed and implemented in July 2013.

3. General description of SADC-RTGS and the market it serves

The SADC-RTGS, formerly known as SIRESS, is the regional cross-border real time gross settlement system in the SADC region which settles interbank obligations and payments on an immediate and/or near real time basis. The SADC-RTGS settles obligations and payments on a prefunded basis using the South African rand.

4. General organisation of SADC-RTGS

The SADC-RTGS as an FMI is owned by SADC through the Committee of Central Bank Governors (CCBG). Whereas the ownership matters and decision-making processes of the SADC-RTGS fall under the governance structures of the CCBG, the SADC-RTGS is operated by the South African Reserve Bank (SARB) as appointed by the SADC central banks. Whereas SADC-RTGS is overseen by the SADC Payment System Oversight Committee (PSOC), the management and operations of SADC-RTGS fall under the governance structure of the SARB. The SADC-RTGS is supported by a well-established legal framework primarily based on rules, operating procedures, contractual agreements, laws, and regulations.

5. Objectives of SADC-RTGS as an FMI

The main objective and the core service of the SADC-RTGS is the settlement of cross-border obligations between participants within the SADC region. In addition, SADC-RTGS supports the facilitation of trade and investment within the SADC region, which in turn contribute to the improvement of the socio-economic conditions in the region.

5.1 SADC-RTGS prioritise safety and efficiency in its objectives

- 5.1.1 The immediate and/or near real-time settlement of obligations minimise credit and settlement risks, thereby ensuring safety and efficiency within the regional SADC payment system.
- 5.1.2 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. SADC-RTGS has been designated as such a settlement system and therefore falls under the ambit of the NPS Act.
- 5.1.3 Article 3 of Annexure 6 of the SADC FIP provides among others the following objectives:
 - a) identify, measure, minimise and manage payment system risk (in particular systemic risk relating to payment systems);

SADC-RTGS contributes to the FIP objective by managing payment system risk through the liquidity saving mechanism, which offers participants the Continuous Processing Line (CPL) facility. The CPL functionality allows banks to submit settlement instructions that settle on a gross basis utilising net liquidity, and if no funds are available in the account,

the settlement instructions will be queued and settle as soon as the account is funded. This facility gives an opportunity for banks not to fail in their obligations, thereby reducing settlement failure.

- b) conduct ongoing payment system oversight aimed at reducing and eliminating cross-border settlement risk and systemic financial risk.

The SADC Payment System Oversight Committee (PSOC) has been established to ensure the integrity, safety and efficiency of the regional payment system. Furthermore, the SADC PSOC provides oversight on the SADC-RTGS system and all regional payment system matters. The SADC-RTGS system is operated under the supervisory and oversight procedures of the SADC PSOC.

- 5.1.4 SADC-RTGS assesses its operational availability as an important consideration when evaluating system effectiveness and sustainability. The Operator addresses inefficiencies and implements operational controls as a result of the operational availability report published monthly by the SARB's BSTD through the ICT barometer.

5.2 SADC-RTGS supports financial stability in the SADC region

- 5.2.1 The SADC-RTS plays an important role in interconnecting the participating financial institutions by facilitating trade within the region. This has implications for the economies and financial stability of the member states where the settlement of trade transactions are reliant on the safety and efficiency of the SADC-RTGS.
- 5.2.2 SADC-RTGS does not offer credit extensions to participants and thus, no collateral facilities. SADC-RTGS operates on a pre-funded basis for the settlement of cross-border transactions. The participants' accounts must be prefunded prior to settlement, and arrangements for collateral, if any, are made outside of the domain of SADC-RTGS.

5.3 Public good service to support the SADC financial services integration

- 5.3.1 The provision of the regional cross-border settlement system is provided as a public good service to support the SADC financial services integration through the facilitation of immediate and/or near real-time cross-border settlements and to enhance financial stability. The pricing for SADC-RTGS is, therefore, not meant for profit-making, but based on a cost-recovery pricing model.

ooo000ooo