

SADC Payment System Oversight Committee Report

April 2021 – June 2024



SADC Committee of
Central Bank Governors





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This is the fourth issue of the *SADC PSOC Report*, and it highlights activities of the SADC PSOC from April 2021 to June 2024. Data may include own calculations made for the purposes of this publication.

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SADC payment system landscape at a glance

Participating member states



Angola



Botswana



Democratic
Republic of
Congo



Eswatini



Lesotho



Madagascar



Malawi



Mauritius



Mozambique



Namibia



Seychelles



South
Africa



Tanzania



Zambia



Zimbabwe

15 SADC member states

Governance arrangements for the integration of the regional payment system



SADC Committee of Central
Bank Governors

SADC Payment System
Subcommittee

SADC Payment System
Oversight Committee



SADC wholesale payments

1 regional settlement system:
SADC-RTGS system settles the Credit Transfers with Immediate Settlement (CTIS) Payment Scheme



88 SADC-RTGS participants



80 commercial banks



8 central banks



Settlement instructions processed in the SADC-RTGS system as at 30 June 2024



3 572 669

Instructions processed
since July 2013

ZAR13.06 trillion

Value processed since July 2013



49 603

Peak: monthly volume

ZAR222.54 billion

Peak: monthly value



SADC retail payments

1 regional clearing and settlement system operator: BankservAfrica



BANKSERVAFRICA

2 participants in a live environment
South African-Zambian corridor



1 SADC instant payment scheme:

Transactions Cleared on
an Immediate Basis (TCIB)
Payment Scheme



TCIB



**Tim Masela, Chairperson:
SADC Payment System
Oversight Committee**

Foreword

Prosperity in the Southern African Development Community (SADC) region is supported by the integration of financial systems which are the backbone of trade and investment. In August 2006, the Heads of SADC member states signed the SADC Protocol on Finance and Investment (FIP) to foster harmonisation of the financial and investment policies of the member states. Annex 6 of the SADC FIP advocates for the implementation of a safe and efficient payment system in each member state and the development of a cross-border payment strategy for the SADC region. It is against this backdrop that the SADC Committee of Central Bank Governors (CCBG) established SADC payment system structures which are instrumental in the integration of regional payment systems.

The integration journey started in May 2009 after the CCBG approved a proposal to proceed with the SADC Real-Time Gross Settlement (RTGS) system¹ and other possible integration payment infrastructures. The SADC-RTGS system was developed and implemented 11 years ago, in July 2013, to settle wholesale payments emanating

from the SADC Credit Transfers with Immediate Settlement (CTIS) Payment Scheme. It has been an eventful period, with the SADC-RTGS system and other regional payment systems navigating operational and regulatory challenges. The SADC-RTGS system has been resilient and continues to provide an uninterrupted service to the SADC market. At the time of this report, there were 88 participants drawn from 15 SADC member states, and over three million transactions with a total value of over ZAR14 trillion had been settled since inception. The SADC-RTGS system has evolved from being a single currency system to being a multi-currency system. It is anticipated that the other SADC currencies and the United States dollar will be onboarded as settlement currencies in the SADC-RTGS system.

All the participating member states are members of the SADC Payment System Oversight Committee (PSOC) which, over the past decade, has provided oversight over the SADC-RTGS system and related regional payment activities. The Principles for Financial Market Infrastructures (PFMI) and the provisions in the SADC PSOC memorandum of understanding (MoU) on oversight cooperative arrangements are the tools utilised to ensure the safety and efficiency of the SADC-RTGS system. To this end, the SADC-RTGS Operator has conducted at least four self-assessments against the PFMI, and the Oversight team has made recommendations to address the identified gaps. The SADC-RTGS Operator has regular engagements with the Oversight team to provide updates on the progress made regarding the implementation of the recommendations.

The platform upon which the SADC-RTGS system is built is more than 25 years old. With the advancement of technology and dynamic changes in payments and business needs, the SADC-RTGS system was bound to be renewed under the RTGS Renewal Programme, led by the South African Reserve Bank (SARB) as the appointed SADC-RTGS Operator.² The renewal included the extension of the life span of the current technology platform, the adoption and migration to the International Organization for Standardization (ISO) 20022 messaging standard,³ the delivery of business architectures, the target operating model, technical architectures and the integration layer of the new RTGSs. Some of the deliverables, which include business architectures, the target operating model and technical architectures, were completed

¹ Previously known as the SADC Integrated Regional Electronic Settlement System (SIRESS).

² The SARB was appointed as the SADC-RTGS Operator by the participating central banks through the Stakeholder Agreement.

³ The ISO 20022 migration is an effort to migrate financial systems to a new messaging standard.

in July 2023. The SADC-RTGS system successfully migrated to the ISO 20022 messaging standard in June 2024.

The renewal of the SADC-RTGS system considered the four cross-border payment challenges highlighted by the Financial Stability Board (FSB) and Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS). In this regard, the new SADC-RTGS system will, among other things, open access to other payment service providers, endeavour to reduce costs by improving technology to enhance safety and processing speeds, and enhance transparency and compliance by upgrading to the ISO 20022 messaging standard. The system will also offer better liquidity management tools among the participants across the envisaged settlement currencies.

One of the milestones achieved thus far under the renewal of the RTGS programme is the capability of the SADC-RTGS system to provide a third level of contingency for member states' domestic RTGS systems. This contingency service was successfully offered when one of the central banks experienced a cyberattack incident that affected the availability of its domestic RTGS system. It is envisaged that the third-level contingency service will be well developed to maturity and be readily available should it be required by any other member state that may experience an unfortunate information and communications technology event. The availability of the contingency service to other member states will assist in fulfilling Principle 17 of the PFMI, which requires financial market infrastructures (FMIs) to have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a widescale or major disruption. It is therefore imperative that the central banks position themselves to receive such a service as this would be essential for the in-country efficiency of the payment systems and maintenance of financial stability.

Continuing with the agenda to integrate regional payments, the CCBG approved the development and implementation of the SADC Instant Retail Payment Scheme, commonly known as the Transactions Cleared on an Immediate Basis (TCIB) Payment Scheme. This is a well-regulated and interoperable payment scheme. Participants are banks and non-banks across the SADC region and transactions are facilitated from bank account to bank account, bank account to wallet, or wallet to wallet. Addressing the four cross-border challenges, the TCIB is designed

to be affordable, accessible to all eligible participants and users, have immediacy of clearing and settling, and instant application of funds in the customers' accounts. Since the TCIB Payment Scheme is built on the ISO 20022 messaging standard platform, regulatory reporting will be transparent and customers will be informed of the time and pricing of the service before using the service.

The SADC PSOC is working closely with the TCIB Scheme Manager to address regulatory challenges impeding the adoption of the TCIB Payment Scheme. The initiatives include streamlining the onboarding process, harmonising regulatory and reporting requirements, and developing a settlement model to provide non-banks with direct access to settlement services. However, there is a need to strike a balance between efficiency and regulation to ensure that the TCIB service is not utilised for the undesirable transfers of funds, as defined in the Financial Action Task Force (FATF) Recommendations.

The TCIB Payment Scheme was launched in a controlled live environment with two countries, namely Namibia and Zimbabwe, in November 2021. South African rand-denominated transactions between a non-bank in Namibia and a bank in Zimbabwe were successfully processed and settlement was effected. This was also a proof of concept for the open-loop retail payment system within the SADC region where interoperability between a bank and a non-bank was tested. The most noticeable event was the official opening of the TCIB payment corridor between South Africa and Zambia on 28 February 2024, with South Africa's SendHome (Pty) Limited, an authorised dealer with limited authority, and Zambia's SamPay Limited, a regulated online payment and e-commerce business, as the first TCIB participants. A number of entities have received provisional TCIB membership and, as such, more corridors are expected to be opened in 2024.

The CCBG formulated strategic focus areas (SFAs) which seek to ensure financial integrity in the regional payment system by requiring adherence to, and the upholding of, anti-money laundering and combating the financing of terrorism (AML/CFT) standards as well as the development of a SADC-wide Know Your Customer (KYC) registry and leveraging technology to support financial inclusion initiatives. The SADC PSOC and other SADC payment structures are charged with the responsibilities to execute initiatives linked to these SFAs and provide regular feedback to the CCBG.



It is said that a man cannot sit down alone to plan for prosperity.⁴ Indeed, the regional payment initiatives and the achievements in the region were a collaborative effort among the different stakeholders. As we celebrate 11 years of the SADC-RTGS system's existence, I would like to express my appreciation and thank all the SADC payment stakeholders who contributed to, and continue to support, the integration of regional payment system initiatives. From the current SADC PSOC and SADC Payment System Subcommittee (PSS) country leaders, I note that Mr Mandla Dlamini⁵ from the Central Bank of Eswatini, Mr Fraser Mdwazika from the Reserve Bank of Malawi and Dr Josephat Mutepe from the Reserve Bank of Zimbabwe are among the founding and long-serving members of these two CCBG subcommittees. To all the current and former SADC PSOC and SADC PSS members, I thank you for your support and commitment over the years. I appreciate and acknowledge the valuable commitment from former and current colleagues from the SADC Banking Association, especially Maxine Hlaba and Arthur Cousins who have been on this journey since day one. To the SADC banking community, the sponsors and donors of the various initiatives, BankservAfrica, the regulators in the member states, CCBG subcommittees and the CCBG – your support and commitment brought the SADC FIP objectives to life, and for that I shall forever be grateful.

The SADC PSOC, in collaboration with other subcommittees will endeavour to oversee and regulate the regional payment system to ensure that it remains safe and efficient to provide the backbone to trade and investment in the region.

Tim Masela

Chairperson: SADC Payment System
Oversight Committee
October 2024

⁴ Nigerian proverb.

⁵ Mr Dlamini retired at the end of May 2024.





INTRODUCTION

On 22 July 2013, a new era of payments was ushered in within the SADC member states as the SADC-RTGS⁶ system was successfully implemented in four member states. The SADC-RTGS was developed and implemented to process wholesale payments under the SADC CTIS Payment Scheme. The day was met with both excitement and anxiety by the members of the SADC payment system governance structures and the first group of SADC-RTGS system participants. Since then, the SADC-RTGS system has grown significantly to support intra-SADC trade and bolster the regional economy.

The initiatives to integrate regional payments within the SADC region are attributed to the strategies provided in Article 18, Annex 6 of the SADC FIP which was signed in Lesotho on 18 August 2006 by the SADC Heads of State (see Figure 1). The operationalisation of the SADC FIP payment objectives was delegated to the SADC Ministries of Finance, which in turn delegated the responsibility to the SADC Central Bank Governors to execute.

The SADC FIP advocates for the cooperation and coordination among the SADC central banks and the private sector to define and implement a cross-border payment strategy for the SADC region. The execution of the strategy is led by the SADC CCBG, which membership is drawn from the governors of SADC central banks.

The CCBG established the SADC PSS and SADC PSOC to operationalise and oversee the regional integration projects. The SADC Banking Association (BA) was also established to mobilise and enhance collaboration with the private sector and, as such, the body was brought under the ambit of the CCBG. Under the auspices of the SADC PSOC, the SADC Payment System Management Body (PSMB), drawn from the SADC-RTGS system participants, was established to manage the CTIS Payment Scheme and execute any payment-related activity assigned by the SADC PSOC.

⁶ Previously known as the SADC Integrated Regional Electronic Settlement System (SIRESS).

Figure 1: Signatures of Heads of State who signed the SADC FIP

IN WITNESS WHEREOF, WE, the Heads of State or Government or our duly authorized representatives, have signed this Protocol.

DONE at Maseru, Lesotho, on 18th day of August 2006 in three original texts in the English, French and Portuguese languages, all texts being equally authentic.

 Republic of Angola	 Republic of Botswana
 Democratic Republic of Congo	 Kingdom of Lesotho
 Republic of Malawi	 Republic of Madagascar
 Republic of Mauritius	 Republic of Mozambique
 Republic of Namibia	 Republic of South Africa
 Kingdom of Swaziland	 United Republic of Tanzania
 Republic of Zambia	 Republic of Zimbabwe

According to the Stakeholder Agreement and SADC PSOC MoU, the SADC central banks appointed the SARB as the Operator and Lead Overseer of the SADC-RTGS system, as it is hosted and operated in South Africa. The SADC PSMB was established in terms of the SADC PSOC MoU to organise and manage the CTIS Payment Scheme participants, including handling any other matters delegated by the SADC PSOC. Some of the SADC PSMB functions are in the process of being migrated to the SADC-RTGS Operator and SADC PSOC to ensure that all the regulatory functions are discharged by the delegated central bank. The functions that will be migrated to the SADC RTGS Operator include the management of the CTIS scheme and ensuring compliance with CTIS scheme rules, while the regulation and licensing will be migrated to the SADC PSOC.

This report reflects the SADC PSOC's activities and regional integration initiatives for the period April 2021 to June 2024 and includes noticeable events that occurred during the writing of the report. This report also reflects on the activities of the SADC-RTGS system, developments in SADC retail payments, the assessment of the SADC-RTGS system against the PFMI, strategic focus areas and challenges relating to the regional integration project.




THE PROVISION OF SETTLEMENT SERVICES THROUGH THE SADC-RTGS SYSTEM

In July 2023, the SADC-RTGS system celebrated 10 years of providing settlement services to the SADC region. To date, it is utilised by 15 SADC member states and has 88 participants drawn from 8 central banks and 80 regulated SADC commercial banks. In the period under review, several participants terminated their participation in the SADC-RTGS system owing to operational matters or changes in their business strategies.

The SADC-RTGS access and participation requirements were amended to accommodate the non-banks in the settlement environment by allowing them direct access to the SADC-RTGS system. The amendments were made to address one of the cross-border payments challenges as outlined by the FSB and CPMI of the BIS. Allowing direct access to the SADC-RTGS system enabled non-banks to settle their obligations directly, addressing the challenge in securing sponsorship arrangements with the banks that were SADC-RTGS participants.

The SADC-RTGS was implemented as a single currency settlement system utilising the South African rand (ZAR). This has been the case for the past 11 years. In September 2016, the CCBG approved that the other SADC currencies as well as the United States dollar (USD) be considered as settlement currencies. Since the approval, the SADC-RTGS system has been configured to be a multi-currency system. It was recognised that, with the multi-currency function, liquidity efficiencies may arise. In this regard, to optimise liquidity, the new SADC-RTGS will provide functionality such as a liquidity bridge as well as a Bid and Ask market service. A liquidity bridge is a short-term, typically intraday liquidity arrangement set up between two or more central banks. In a liquidity bridge, collateral (typically cash) held by payment system participants at one central bank (the facilitating central bank) in the currency issued by the facilitating central bank is used as collateral to enable the provision of intraday liquidity by another central bank (the lending central bank) in its currency to the participants or their related entities (e.g. a branch or subsidiary) in the jurisdiction of the lending central bank.⁷

⁷ Bank for International Settlements, 'Liquidity bridges across central banks for cross-border payments', 7 September 2022. <https://www.bis.org/cpmi/publ/d209.htm>



The SADC-RTGS Operator has since initiated the process to include the USD in the SADC-RTGS system. Angola has approved the inclusion of the Angolan kwanza as a settlement currency in the SADC-RTGS system. Other SADC member states have also shown an interest to include their currencies and are working closely with the SADC-RTGS Operator to initiate the process. It is anticipated that these initiatives will be operationalised by the end of 2025.



THE SADC-RTGS SYSTEM AS A THIRD-LEVEL CONTINGENCY

One of the value propositions of the SADC-RTGS system is to make it available to be utilised as a third-level contingency for domestic RTGS systems in the SADC member states. If a member state's domestic RTGS is not available for any particular reason, the participants within the member state would be able to utilise the SADC-RTGS system to process their domestic payment instructions. In this regard, the benefit of this service is that central banks can provide settlement services using the SADC-RTGS while attending to issues affecting their domestic RTGS until it is restored to normalcy. In terms of the PFMI, the FMIs are expected to manage settlement and operational risks by having a business continuity plan in place that addresses events that pose a significant risk of disrupting operations, including events that could cause a widescale or major disruption. Therefore, the utilisation of the SADC-RTGS system as a third-level contingency would be an added value to central banks' business continuity plans.

In December 2023, the third-level contingency service was tested when one of the SADC central banks detected a cyberattack, compromising its information and communications technology (ICT) infrastructures. Consequently, the RTGS system of the affected central bank was protected and, as such, no domestic payment obligations were processed. In this regard, the affected central bank reached out to the SADC-RTGS Operator and SADC PSOC Chairperson and requested a SADC-RTGS third-level contingency service. The SADC-RTGS was prepared and enabled to successfully process the member state's domestic payment instructions for six days. The success was mainly attributed to the efficiency of the SADC-RTGS system, and that the ZAR could be used to settle the domestic payment instructions, given the member state's status as a Common Monetary Area member and that all participants in the member state participate in the SADC-RTGS system.

The collaboration among the affected central bank, participating banks in the member state, the SADC-RTGS Operator and the SADC PSOC Lead Overseer ensured the integrity of the regional payment systems as well as the secure operation of the member state's payment system. Accordingly, the regional payment systems were not affected by the central bank's cyberattack incident. The use of the SADC-RTGS system as a third level of contingency has proven to be an effective service to maintain financial stability and mitigate settlement and reputational risks in the payment system at both a country and regional level.

This incident clearly indicates that for the SADC central banks to fully utilise the capabilities of the SADC-RTGS as a third-level contingency service, they should onboard their currencies into the SADC-RTGS system. Expanding the coverage of participants, especially systemically important financial institutions (SIFIs), will ensure that a greater portion of domestic payment obligations are discharged.





RTGS RENEWAL AND THE SADC-RTGS SYSTEM

Many of the RTGS systems were built more than 25 years ago and, as such, many are undergoing a renewal of some sort. This is no different for the SADC-RTGS system which is built on the same platform as the South African domestic RTGS which was implemented in March 1998.⁸ The renewal was necessary to, among other things, enhance interoperability among other payment systems, address market demands, increase flexibility and adaptability of the RTGS system, support financial inclusion objectives, and increase financial system stability. The strategic goals informed the design principles which included the provision of smart settlement services, optimised liquidity mechanisms, and transparency and visibility relating to the management of data insights and reporting. These goals are perfectly aligned to the PFMI which the SADC-RTGS system is expected to observe.

As reported in the previous *SADC PSOC Report*, in terms of the PFMI, the SADC-RTGS Operator has a duty to manage risks in the broader infrastructure, including but not limited to operational and settlement risks. In this regard, the SADC-RTGS Renewal Project, as part of the broader SARB RTGS Renewal Programme, was initiated and supported by the SADC-RTGS Renewal Project Approach Review.

The SADC-RTGS Renewal Project has undergone a strategic review. Initially, the project was designed around work packages, but it has now evolved into a comprehensive Payment Ecosystem Modernisation Project. This modernisation effort encompasses two main components:

1. Optimise and sustain the current RTGS

The objective of this component is to prolong the lifespan of the existing RTGS system and ensure its continued operation.

The key features include:

- business-as-usual optimisation: streamlining existing processes and resource allocation to enhance efficiency;
- resource optimisation: ensuring the optimal utilisation of resources; and
- future operations preparedness: implementing practices that facilitate seamless future operations.

⁸ More than 26 years ago, as at the time of writing this report.

2. Future platform implementation

The objective of this component is to create a new RTGS platform that caters for an alternative network.

The key features include:

- a new RTGS system: designing and deploying a modernised real-time settlement system; and
- an alternative network support: enabling transactions beyond the traditional RTGS network.

This revised approach aims to enhance the efficiency, sustainability and adaptability of the SADC-RTGS system. By optimising the current operations and preparing for the future, the project seeks to meet the evolving needs of the financial ecosystem within the Southern African region. An overview of the different projects in each component is outlined in the table below. The projects shaded in yellow have already been completed, while the remainder are in progress.

Figure 2: SADC-RTGS Renewal Project



The FSB and the CPMI of the BIS identified four cross-border payment challenges, namely high costs, low speed, limited access and insufficient transparency. These challenges were considered in the SADC-RTGS system renewal work packages, and include the following:

Table 1: Cross-border payment challenges and new SADC-RTGS features

Cross-border payment challenges	New SADC-RTGS features
a. High costs	Technology simplification which will reduce complexity and cost
b. Low speed	Functionality for ISO 20022-compliant faster payment systems which will enable immediate clearing and settlement, thereby providing faster access to cash and settlement, and longer operating hours which will also avail payment and settlement services to align cross-border services
c. Limited access	Capability to open access to increase diverse, direct participation in the system
d. Insufficient transparency	Adoption of ISO 20022 for the payment scheme which will enable richer data for payment instructions, and the provision of data services which will provide valuable insights regarding settlement and related information



REGIONAL MIGRATION TO ISO 20022 MESSAGING STANDARD

Principle 22 of the PFMI advocates for an FMI to use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards to facilitate efficient payment, clearing, settlement and recording. It is in the spirit of this principle that the SADC PSOC mandated the SADC-RTGS Operator to coordinate the migration process for SADC-RTGS system participants to the ISO 20022 messaging standard. Failure by the SADC-RTGS Operator and participants to meet the Society for Worldwide Interbank Financial Telecommunication's (SWIFT) 2025 deadline would jeopardise the provision of settlement services within the region and thereby threaten the safety and stability of the regional payment system.

The SADC-RTGS ISO 20022 migration implementation date was moved from 23 October 2023 to 10 June 2024 due to delays experienced by the SADC-RTGS Operator in procuring a SWIFT Message Validation (MVal)⁹ service. As a result, all the project timelines were rebased using the new go-live date of 10 June 2024. The MVal service was deployed in July 2023 and the Technical team has successfully completed the system integration testing (SIT) phase. The Business team commenced with the user acceptance testing (UAT) phase on 24 July 2023 and completed the testing on 14 December 2023. The participants commenced with the market testing phase on 28 August 2023 and completed the testing on 8 May 2024.

The SADC-RTGS Operator collaborated with the SADC BA to assist the SADC-RTGS system participants with the migration effort. Each SADC PSOC Country Leader appointed a Change Champion to provide technical support to the ISO 20022 Regional Migration Project. The change champions were responsible for keeping their respective country leaders apprised of the progress made in this regard.

⁹ MVal is a service provided by SWIFT to enable the central validation of messages exchanged between two participants by verifying whether the message conforms to the format and rules as defined by the service administrator. See <https://www.swift.com/standards/iso-20022/iso-accelerator-pack>

On 10 June 2024, the SADC-RTGS system achieved a significant milestone with the successful implementation of the ISO 20022 messaging standard. This global standard relates to the electronic data interchange between financial institutions and was implemented to enhance the efficiency, transparency and interoperability of financial transactions across the SADC region. The transition to the ISO 20022 messaging standard involved meticulous planning, rigorous testing and collaborative efforts among all stakeholders within the SADC region. Key phases of the implementation included system changes, extensive training and thorough end-to-end testing to ensure a seamless transition, as a 'big bang' approach was adopted for the implementation.

The benefits to be realised by this implementation include:

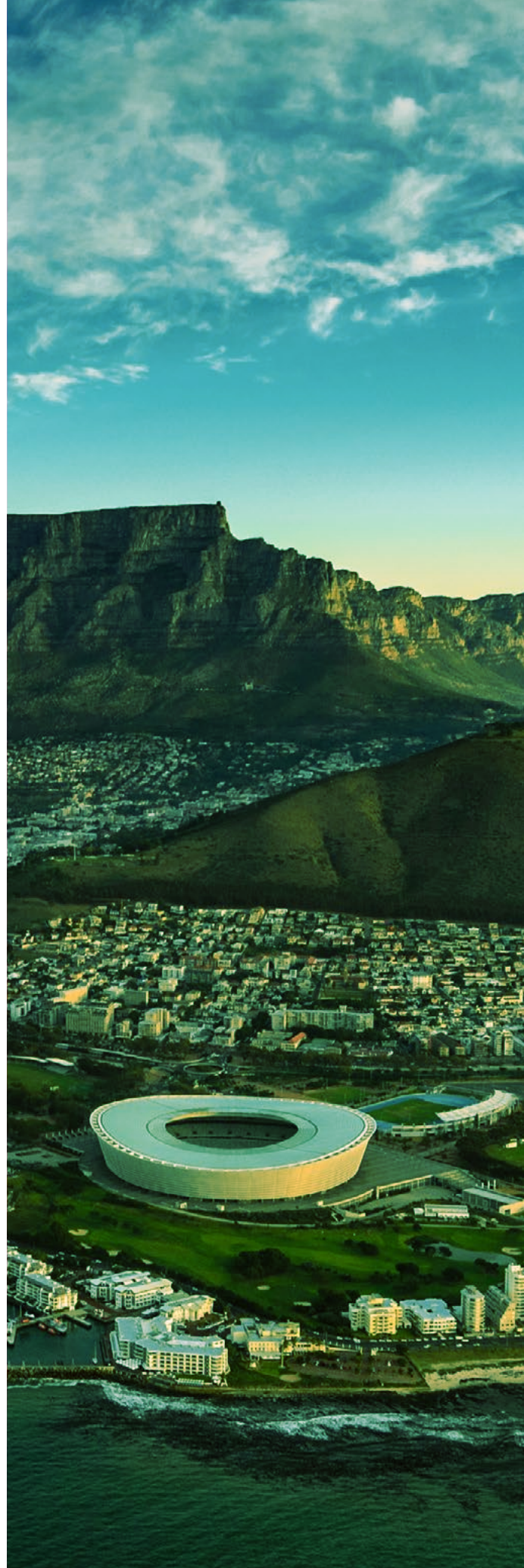
1. Enhanced data quality: The ISO 20022 messaging standard provides richer and more structured data formats, improving the quality and clarity of transaction information.
2. Interoperability: The standard promotes greater interoperability among different financial systems, facilitating smoother cross-border transactions within the SADC region.
3. Operational efficiency: The implementation has streamlined processes, reduced operational costs and minimises the risk of errors in transaction processing.
4. Regulatory compliance: ISO 20022 ensures alignment with international regulatory requirements, enhancing the robustness and security of the SADC-RTGS system.

The success of this project is attributed to the collaborative efforts of central banks, financial institutions and technology partners across the SADC region. Their commitment and cooperation were crucial in overcoming challenges and ensuring the timely and effective implementation of the ISO 20022 messaging standard.

The successful adoption of ISO 20022 sets the stage for further advancements in the SADC-RTGS system. It opens opportunities for future innovations in payment processing, contributing to the overall stability and growth of the financial sector in the SADC region.

The implementation of ISO 20022 in the SADC-RTGS system marks a significant achievement in the SADC-RTGS Operator's ongoing efforts to enhance financial infrastructure and promote economic integration within the SADC region. We look forward to leveraging this robust platform to drive future developments and support the evolving needs of our financial community.

The SADC-RTGS was the first regional settlement system to migrate in Africa and second in the world, after the European Union.





SADC-RTGS MAIN INDICATORS

As at June 2024, participation in the SADC-RTGS system was made up of 15 SADC member states, with 88 SADC-RTGS system participants comprising 80 commercial banks and 8 central banks. Table 2 shows the number of participating banks and central banks per member state.

Table 2: SADC-RTGS participation by member state

Member state	Flags	Bank	Central bank	Total
Angola		6	0	6
Botswana		4	0	4
Democratic Republic of Congo		3	0	3
Eswatini		4	1	5
Lesotho		4	1	5
Madagascar		0	1	1
Malawi		8	1	9
Mauritius		3	0	3
Mozambique		6	0	6
Namibia		4	1	5
Seychelles		0	1	2
South Africa		8	1	9
Tanzania		7	0	7
Zambia		9	1	10
Zimbabwe		14	0	14
Total		80	8	88

Figure 3 outlines the trend of transactions on the SADC-RTGS system since its inception until 31 December 2023. An exponential growth of transactions processed was observed from 2013 to 2015 but then plateaued between 2015 and 2018. In 2020 and 2021 the transactions receded, reflecting the impact of the COVID-19 pandemic. However, there has been growth since 2022, indicating a strong recovery from the COVID-19 pandemic, with 2023 registering the highest settlement transactions recorded since 2013.

Figure 3: SADC-RTGS system settlement volumes and values

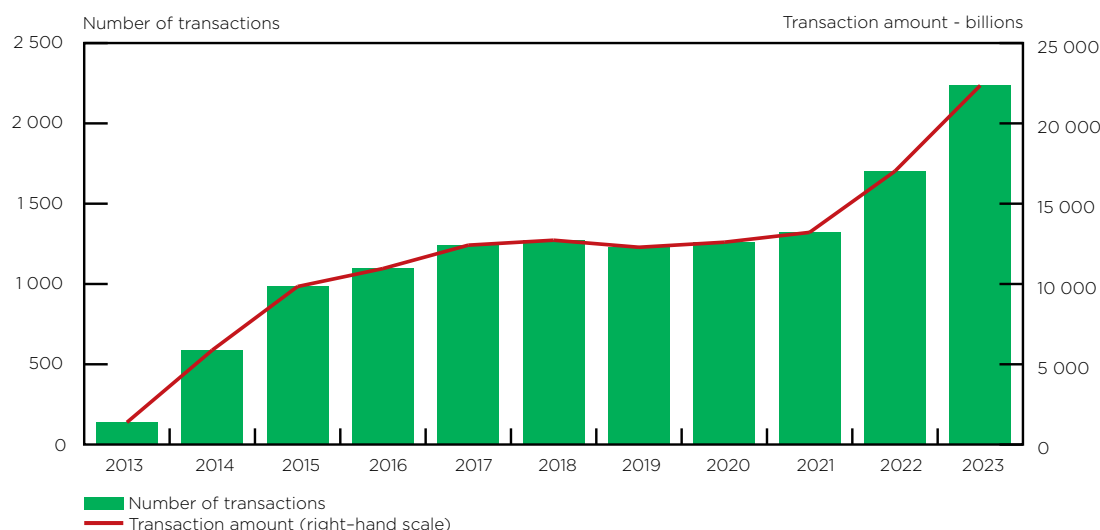
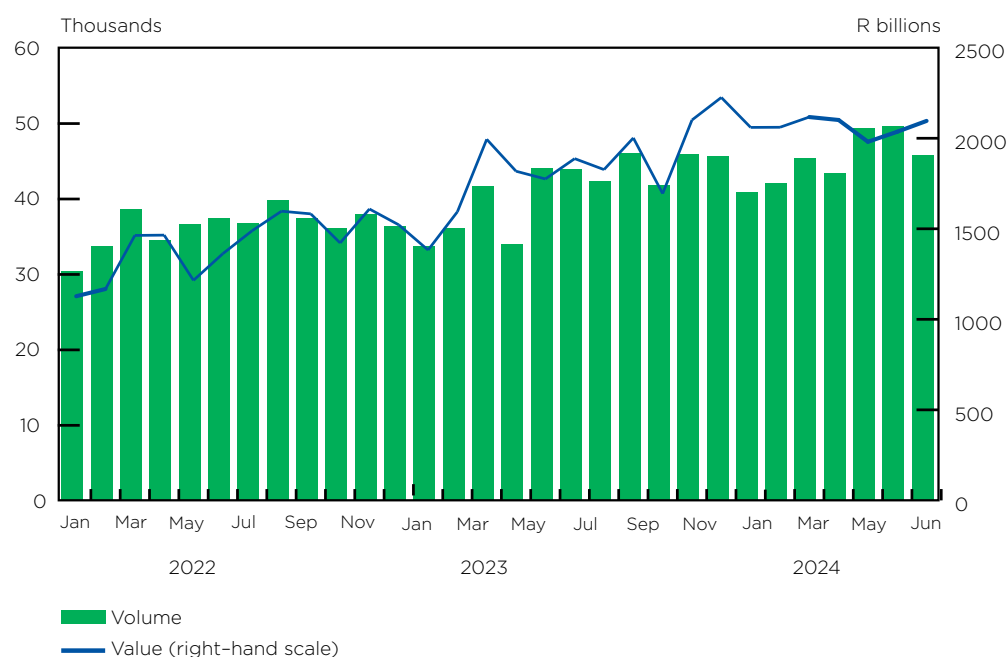


Figure 4 depicts the SADC-RTGS system's monthly volume and values for the period January 2022 to June 2024. This can be described as the best-performing period, given that there were four monthly peaks in volumes, namely in March 2022, August 2022, March 2023, August 2023, April 2024 and May 2024 while values peaked seven times in March 2022, April 2022, July 2022, August 2023, September 2023, October 2023 and November 2023.

Figure 4: SADC-RTGS system settlement: monthly volumes and values



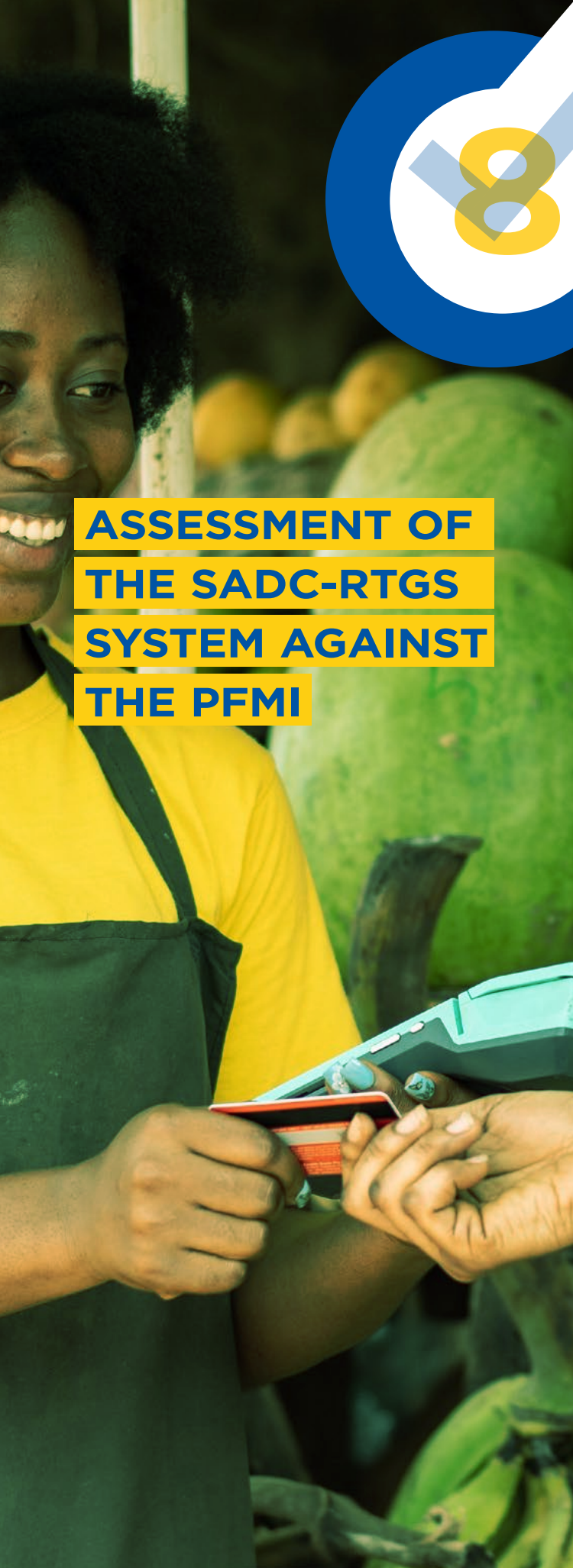


SADC-RTGS COST RECOVERY

Following the annual review of the cost recovery policy, the SADC-RTGS Operator increased the SADC-RTGS system processing fees for settlement instructions by 14% in 2023, from R11.00 to R12.50, as indicated in Table 3. The adjustment was attributed to the projected increase in costs, mainly due to the RTGS Renewal Programme and the recovery of the operational costs of providing the settlement service. This was after reducing charges by 34% from R16.69 to R11.00 in 2020 in response to the COVID-19 pandemic. The decision was endorsed by the SADC PSOC.

Table 3: SADC-RTGS charge structure for 2023/24 with effect from 1 April 2023

SADC-RTGS processing charges				
Category	Charge type	Current charge (excluding VAT)	Proposed increase	New charge (excluding VAT)
Settlement instructions	SI processed from scheduled list	R3.00	R0.00	R3.00
	SI processed on CPL	R11.00	R1.50	R12.50
	SI processed on RTL	R11.00	R1.50	R12.50
Administration instructions	AI processing	R3.00	R0.00	R3.00
Reports and enquiries	Enquiry and report processing	R5.00	R0.00	R5.00
Manage SI instructions	Remove or resubmit SI	R5.00	R0.00	R5.00
Intra-account transfer instruction	Scheduled intra-account transfer instruction	R3.00	R0.00	R3.00
	Intra-account transfer instruction	R5.00	R0.00	R5.00
Exception charges as approved by SADC PSOC				
Category	Charge type	Current charge (excluding VAT)	Proposed increase (0%)	New charge (excluding VAT)
Invalid Instructions	SI processing	R180.00	R0.00	R180.00
	AI processing	R180.00	R0.00	R180.00
	MI processing	R180.00	R0.00	R180.00
	Intra account transfer instruction	R180.00	R0.00	R180.00
Exceptions	Insufficient funds for RTL settlement - single SI	Currently suspended		
	Insufficient funds for CPL settlement at EOD (single SI)	Currently suspended		
Manual charges				
Manual processing charges				
Category	Charge type	Current charge (excluding VAT)	Proposed increase (0%)	New charge (excluding VAT)
Invalid messages	Content of message tags not validated in SADC-RTGS	R180.00	R0.00	R180.00
Uncertified messages	Messages incorrectly formatted and not in compliance with the SADC-RTGS functional specifications	R180.00	R0.00	R180.00
SADC-RTGS window extension	Window extension requests received from participants	R5 250.00	R0.00	R5 250.00
Account management fee (5% inflation adjustment)				
Category	Charge type	Charge (excluding VAT)		
Grid 1	From 1 to 200 messages volumes	R5.48 per message		
Grid 2	From 201 to 450 messages volumes	R1 095.00, plus R4.38 per message over the threshold		
Grid 3	From 451 to 950 messages volumes	R2 190.00, plus R2.20 per message over the threshold		
Grid 4	From 951 to 2 950 messages volumes	R3 285.00, plus R0.55 per message over the threshold		
Grid 5	From 2 951 messages volumes onwards	R4 381.00, no further charge per message over threshold		



ASSESSMENT OF THE SADC-RTGS SYSTEM AGAINST THE PFMI

The SADC-RTGS system has been identified and designated as an FMI by the SARB. As such, the SADC-RTGS Operator is expected to conduct self-assessments against the PFMI every two years. To date, the SADC-RTGS Operator has conducted at least four self-assessments which were reviewed by the Lead Overseer team responsible for FMI assessments. The SADC-RTGS Operator published the self-assessments on the SARB and SADC websites. Over the years, there has been an improvement in the observance of the PFMI by the SADC-RTGS system. Noticeable changes include the amendment of the SADC-RTGS access and participation requirements and addressing operational matters aimed at the better management of operational risks, such as improved business continuity arrangements and capacitating the function with additional human resources.

The latest assessment was conducted in June 2023 and focused on the SADC-RTGS system's risk management framework (Principle 3) and its management of operational risk (Principle 17), with specific emphasis on its approach to cyber-resilience. Additionally, the assessment was conducted against the requirements relating to cyber-resilience as outlined in a publication titled *Guidance on cyber resilience for FMIs* published by the CPMI and the International Organization of Securities Commissions (IOSCO) in June 2016. No major concerns were identified during the assessment, but the SADC-RTGS Operator has been given timelines to implement recommendations to enhance risk management in the focused areas.



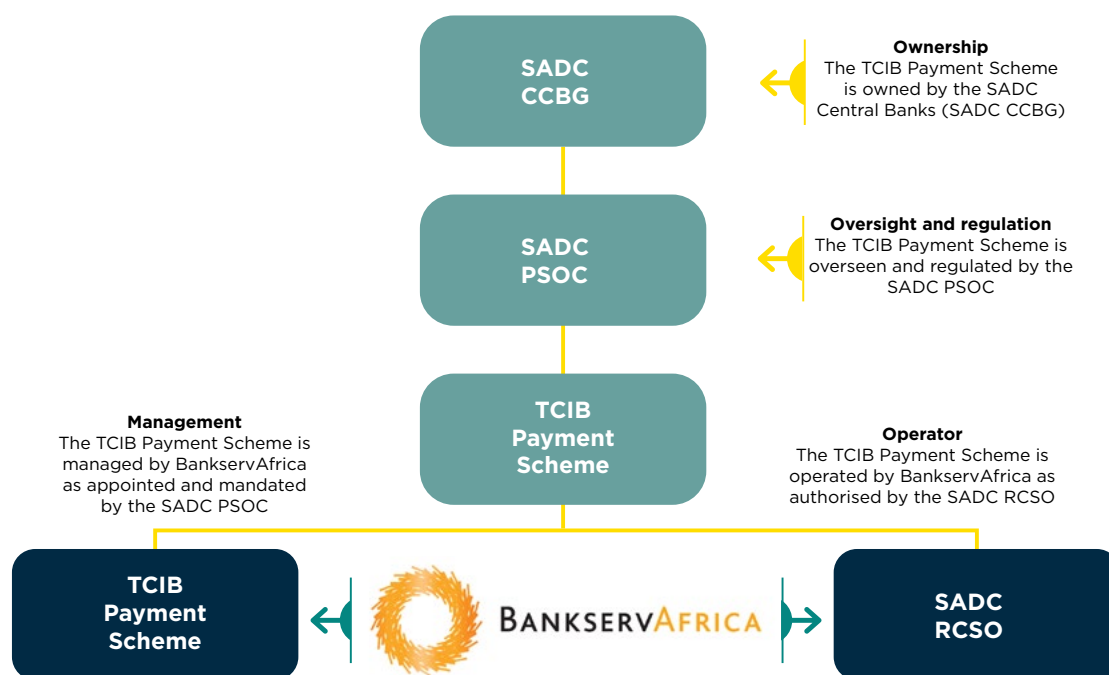
SADC TRANSACTIONS CLEARED ON AN IMMEDIATE BASIS PAYMENT SCHEME

The roadmap for integrating regional payments included retail payments. In October 2015, the CCBG approved the implementation of the electronic funds transfer (EFT) credit stream for retail payments. The SADCBA was mandated to lead with the development of an integrated EFT credit retail payment scheme. After many deliberations with the regulators and the market, what started as a mobile payment scheme evolved into the TCIB Payment Scheme.

The TCIB Payment Scheme is a multi-currency scheme, with the currency conversion managed by the counterparties outside the payment scheme. It is fully interoperable and built on the ISO 20022 messaging standard platform to address the various cross-border regulatory requirements. With regard to the four cross-border payment challenges identified by the FSB and the CPMI of the BIS, the TCIB Payment Scheme is designed to open access to both banks and non-banks in that it enables cross-border fund transfers between any two TCIB participants. The transfer could be between two banks, between a bank and a non-bank, or between two non-banks. The funds are cleared immediately and settled on a near real-time basis, thus providing a faster payment element. It is envisaged that the TCIB service will be affordable as the economies of scale ramp up. Transparency on pricing and speed will be known and disclosed by the TCIB participants to the customers prior to using the service. The required regulatory reporting will be provided to the authorities and compliance will be enhanced owing to the reach of data obtained from the ISO 20022 messaging standard format.

The TCIB Payment Scheme arrangements are outlined in Figure 5 below and are aligned with the institutional arrangements as guided by the SADC FIP.

Figure 5: SADC TCIB governance arrangements



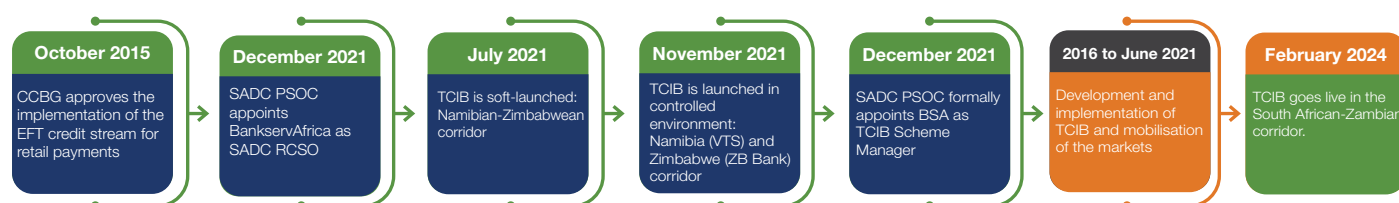
The TCIB Payment Scheme is owned by the SADC CCBG, and it is overseen and regulated by the SADC PSOC. The SADC PSOC appointed and mandated BankservAfrica (Pty) Limited (BankservAfrica) as the TCIB Scheme Manager and authorised it as the SADC Regional Clearing and Settlement System Operator (RCSO). Among other things, the Scheme Manager is expected to roll out the TCIB Payment Scheme in the SADC member states and to establish the necessary TCIB Payment Scheme structures.

Financial entities interested in participating in the TCIB Payment Scheme should meet the set access and participation requirements and, most importantly, should be authorised to provide cross-border payment services by their central banks. Although the entities would be participating in the TCIB Payment Scheme, they would still be regulated by their respective central banks, and these entities would be obligated to comply with regulatory and reporting requirements in accordance with their respective licensing requirements.

In July 2021, the SADC BA soft-launched the TCIB payment service as a proof of concept between a non-bank in Namibia and a bank Zimbabwe. Transacting between two countries and between two types of entities was proof that the TCIB was fully interoperable. After taking over the management of the scheme, the TCIB Scheme Manager then launched the service in a controlled environment with the same parties in November 2021. Since then, the TCIB Scheme Manager has mobilised the markets in SADC to join the TCIB Payment Scheme. The World Bank, the Bill and Melinda Gates Foundation, the SADC Secretariat, AfricaNenda and BankservAfrica provided funding and services towards the mobilisation of the market.

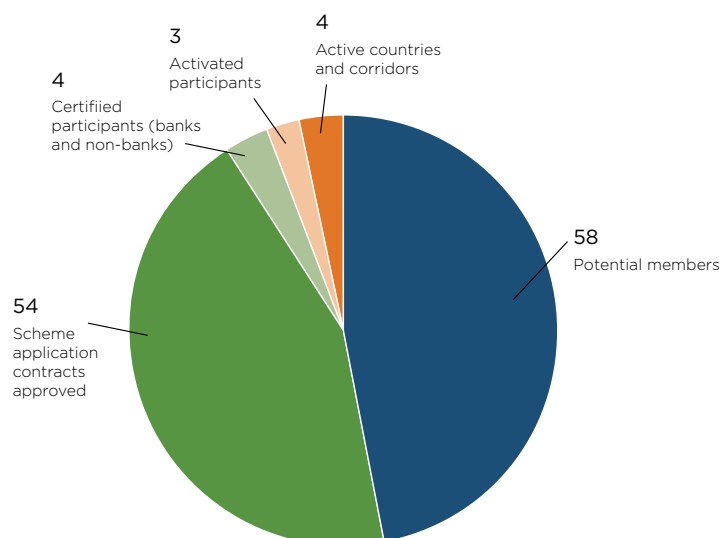
The SADC TCIB Payment Scheme journey as discussed above is depicted in Figure 6 .

Figure 6: SADC TCIB Payment Scheme journey



As at 30 June 2024, the mobilised corridors included Zimbabwe, Namibia, Zambia and South Africa. Figure 7 depicts the different stages of mobilisation of prospective TCIB participants, comprising banks and non-banks.

Figure 7: SADC TCIB mobilisation and participation as at 30 June 2024*



* The numbers shown in the pie chart are real (absolute) numbers

The onboarding of TCIB participants took longer than anticipated due to regulatory and operational challenges. The Scheme Manager and SADC PSOC are working together to address the regulatory challenges. These include:

- prospective non-bank participants' failure to secure a sponsorship bank to settle their transactions in the SADC-RTGS system;
- the cumbersome process of issuing letters of authority by central banks; and
- specific licensing conditions which are not aligned with the TCIB Payment Scheme design.

To address the settlement issue of non-banks, the TCIB Scheme Manager and the SADC-RTGS Operator proposed the introduction of the TCIB Omnibus Settlement Account Model. This will enable non-banks to settle their TCIB transactions independently of banks and minimise or mitigate settlement risk emanating from the TCIB transactions. The proposal was submitted to the SADC PSOC for consideration in November 2023 and in early 2024 the SADC PSOC advised that the model should be explored.

Despite these challenges, the TCIB payment corridor between South Africa and Zambia went live on 28 February 2024. The first TCIB participants were South Africa's SendHome (Pty) Limited, an authorised dealer with limited authority, and Zambia's SamPay Limited, a regulated online payment and e-commerce business. It is expected that more corridors will be opened during 2024.

The TCIB Scheme Manager continues to market the TCIB Payment Scheme with the assistance of the SADC Secretariat. Regular feedback on the progress and challenges is provided to the SADC PSOC.



CCBG STRATEGIC FOCUS AREAS

Over the years, the CCBG has focused on the well-being and advancement of the regional payment systems. In this context, the SFAs aim to foster financial integrity and enhance financial inclusion. To achieve these goals, various CCBG structures have been assigned different initiatives to deliver on the SFAs. The initiatives include the following:

- To uphold international standards, there is a need for the SADC PSOC to strengthen and monitor the level of application and compliance with international anti-money laundering and counter-terrorism and proliferation of weapons of mass destruction financing (AML/CTPF) standards, as per the FATF Recommendations.
- Work is underway to develop a SADC-wide Know Your Customer (KYC) process as well as an identity and information-sharing framework/protocol, and there are considerations to develop an integrated eKYC registry for member states.
- To support financial inclusion, the initiatives include the expansion of the existing financial inclusion framework, which includes enhancing the full interoperability of domestic and regional platforms to advance access to payment services and the promotion of consumer education.
- To embrace the technological evolution, the initiative includes the development of a SADC fintech framework and the SADC-BIS Innovation Hub, with the objective to promote the development of innovative financial services and products.

It is imperative that the above initiatives are implemented to ensure the safety, integrity, efficiency, flexibility and inclusiveness of the regional payment system. Regular updates on the progress made are provided at the SADC PSS and CCBG meetings.



INTER-REGIONAL LINKING OF PAYMENT SYSTEMS ON THE AFRICAN CONTINENT

It is in the interest of the Association of African Central Banks (AACB) to drive the strategy to interlink African payment systems in support of the African Continental Free Trade Area Agreement. The SADC payment system structures have been actively participating in task groups to develop and operationalise these initiatives. Two task forces were established with the mandates to develop an interregional payment system integration framework and an integrated mobile/retail payment strategy for the continent.



SADC PAYMENT STRUCTURES AND BUILDING BLOCKS TO ENHANCE CROSS- BORDER PAYMENTS

From a SADC perspective, work is underway to address the four identified challenges facing cross-border payments, namely high costs, low speed, limited access and limited transparency. The Group of Twenty (G20) has endorsed the cross-border payments roadmap developed by the FSB in coordination with the CPMI and other relevant organisations to implement building blocks to enhance cross-border payments. Furthermore, the FSB has developed targets for the implementation of the cross-border payments roadmap. The SADC payment structures were also invited to work closely with the AACB Task Force on Payment Systems Integration to address these four cross-border challenges using the roadmap endorsed by the G20.



CONCLUSION

The SADC PSOC is committed to fulfilling its mandate to ensure the safety, integrity and efficiency of the regional payment systems. It will continue to collaborate with the various stakeholders to ensure that the initiatives geared towards the integration of payments are achieved and to exercise oversight of the SADC-RTGS system, CTIS Payment Scheme and TCIB Payment Scheme. Where necessary, changes will be implemented to achieve the desired outcomes. The SADC PSOC will closely monitor developments on the African continent and support relevant initiatives where necessary.

Abbreviations

AACB	Association of African Central Banks
AML	anti-money laundering
BA	Banking Association
BankservAfrica	South African Bankers Services Company (Pty) Limited
BIS	Bank for International Settlement
CCBG	Committee of Central Bank Governors
CFT	combating the financing of terrorism
CTPF	counter-terrorism and proliferation of weapons of mass destruction financing
CPMI	Committee on Payments and Market Infrastructures
CTIS	Credit Transfers with Immediate Settlement
EFT	electronic funds transfer
FATF	Financial Action Task Force
FIP	Protocol on Finance and Investment
FMI	financial market infrastructure
FSB	Financial Stability Board
G20	Group of Twenty
ISO	International Organization for Standardization
KYC	Know Your Customer
MoU	Memorandum of Understanding
MVal	Message Validation
PFMI	Principles for Financial Market Infrastructures
PSMB	Payment System Management Body
PSOC	Payment System Oversight Committee
PSS	Payment System Subcommittee
RCSO	Regional Clearing and Settlement System Operator
RTGS	Real-Time Gross Settlement
SADC	Southern African Development Community
SARB	South African Reserve Bank
SFA	strategic focus area
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCIB	Transactions Cleared on an Immediate Basis
USD	United States dollar
ZAR	South African rand

Annexure A: List of SADC-RTGS participants per country as at 30 June 2024



Angola

1. Banco Angolano de Investimentos SA
2. Banco de Negocios Internacional Angola
3. Banco Prestígio SA
4. CREDISUL Banco de Credito do Sul



Botswana

1. First National Bank of Botswana Pty Ltd
2. Stanbic Bank Botswana Limited



Democratic Republic of Congo

1. Raw Bank Limited



Eswatini

1. Central Bank of Eswatini
2. Eswatini Development and Savings Bank
3. First National Bank of Eswatini
4. Nedbank Eswatini Limited
5. Standard Bank Eswatini Ltd



Lesotho

1. Central Bank of Lesotho
2. First National Bank of Lesotho Limited
3. Lesotho Post Bank
4. Nedbank Lesotho Limited
5. Standard Lesotho Bank



Madagascar

1. Banky-Foiben'I Madagasikara



Mauritius

1. Absa Bank Mauritius Limited
2. Standard Bank Mauritius Limited
3. The Mauritius Commercial Bank Limited



Malawi

1. CDH Investment Bank Limited
2. Ecobank Malawi Limited
3. FDH Financial Holdings
4. First Capital Bank Limited
5. MyBucks Banking Corporation
6. NBS Bank Limited
7. National Bank of Malawi
8. Opportunity Bank of Malawi
9. Reserve Bank of Malawi
10. Standard Bank Limited



Mozambique

1. Absa Bank Mozambique
2. Banco_MAIS Mocambicano
3. FNB MOCAMBIQUE SA
4. NedBank Limited
5. MOZABANCO
6. Standard Bank Mozambique SA



Namibia

1. Bank Windhoek Limited
2. Bank of Namibia
3. First National Bank of Namibia Ltd
4. Nedbank Namibia Limited
5. Standard Bank Namibia Limited



Tanzania

1. Absa Bank Tanzania Limited
2. Ecobank Tanzania Limited
3. Equity Bank Tanzania
4. First National Bank Tanzania Limited
5. National Bank of Commerce Limited
6. STANBIC Bank Tanzania Limited
7. Standard Chartered Bank Tanzania Ltd



Seychelles

1. Central Bank of Seychelles



South Africa

1. ABSA Bank Limited
2. BankservAfrica
3. Bidvest Bank Limited
4. Citibank South Africa
5. FirstRand Bank Limited
6. HSBC Bank Plc – Johannesburg Branch]
7. Investec Bank Limited Nedbank Ltd
8. Nedbank Limited
9. South African Reserve Bank
10. Standard Bank of South Africa Limited
11. Standard Chartered Bank – Johannesburg Branch



Zambia

1. Absa Bank Zambia Plc
2. Access Bank
3. Bank of Zambia
4. Ecobank Zambia Limited
5. Finance Bank Zambia Limited
6. First National Bank Zambia Limited
7. Stanbic Bank Zambia Limited
8. Standard Chartered Bank Zambia Plc
9. Zambia Industrial Commercial Bank
10. Zambia National Commercial Bank Plc



Zimbabwe

1. African Banking Corporation of Zimbabwe Limited
2. Agricultural Bank of Zimbabwe Limited
3. CBZ Bank Limited
4. Central Africa Building Society
5. Ecobank Zimbabwe Limited
6. FBC Bank Limited
7. FirstCapital Bank
8. METBANK Limited Zimbabwe
9. NMB Bank Limited
10. Nedbank Zimbabwe Limited
11. Peoples Own Savings Bank
12. STANBIC Bank
13. Steward Bank Limited
14. ZB Bank



SADC Committee of Central Bank Governors