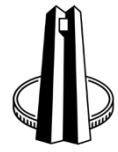


Financial Surveillance Reporting System Certification and Inspection Guideline

2023-01-10



SOUTH AFRICAN RESERVE BANK





SOUTH AFRICAN RESERVE BANK

Financial Surveillance Department

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1. Definitions

In the Financial Surveillance (FinSurv) Reporting System Certification and Inspection Guideline, unless the context indicates otherwise:

Authorised Dealer means, in relation to any transaction in respect of gold, a person authorised by the Financial Surveillance Department of the South African Reserve Bank to deal in gold, and, in relation to any transaction in respect of foreign exchange, a person authorised by the Financial Surveillance Department of the South African Reserve Bank to deal in foreign exchange.

Authorised Dealer in foreign exchange with limited authority (ADLA), include Bureaux de Change, independent money-transfer operators and value-transfer service providers, who are authorised by the Financial Surveillance Department of the South African Reserve Bank to deal in foreign exchange transactions as determined by the Financial Surveillance Department of the South African Reserve Bank.

Annual managerial letter of comfort means a letter that must be issued by a reporting entity to the Financial Surveillance Department of the South African Reserve Bank annually within three months after the financial year-end of the reporting entity, to provide an independent assurance that their reporting system and reconciliation module are compliant with the requirements of the Financial Surveillance Department of the South African Reserve Bank.

Automated control means system-driven control configured into the reporting entity's information technology application that enforces a rule set or the validation of all the cross-border transactions captured.

Business and Technical Specifications document means the document containing all the rules and technical specifications pertaining to the electronic reporting of cross-border foreign exchange transactions.

Cross-border foreign exchange transaction means the purchase or sale of foreign exchange, including rand transactions between a resident and a non-resident.

Conditional approval letter means a letter issued by the Financial Surveillance Department of the South African Reserve Bank to a reporting entity granting in-principle approval to operate as a licensed dealer in the cross-border foreign exchange subject to certain conditions being met within a specific time frame, as stipulated.

Data enrichment refers to the processes used to enhance, refine or otherwise improve the cross-border foreign transactional data in compliance with the requirements of the Financial Surveillance Department of the South African Reserve Bank, before submitting data to the South African Reserve Bank for reporting purposes.

Detective control means the control implemented by the reporting entity to identify those cross-border transactions that are not compliant with the reporting rules requirements defined by the Financial Surveillance Department of the South African Reserve Bank. This may be system-driven (or automated) and/or process-driven (or manual), applied after a cross-border transaction has been concluded but before submitting it to the South African Reserve Bank for reporting purposes.

Direct reporting entity means an independent entity authorised by the Financial Surveillance Department of the South African Reserve Bank to report transactions directly to the South African Reserve Bank.

Financial Surveillance Department means the Financial Surveillance Department of the South African Reserve Bank (responsible for the administration of exchange control on behalf of the National Treasury).

FinSurv Reporting System means an electronic reporting system used by the reporting entity to submit all reportable cross-border foreign exchange transactional data files to the Financial Surveillance Department in an agreed format.

Four-eye principle means the process whereby two individuals approve all cross-border transactions. This includes the segregation of duties between a data capturer and an approver or authoriser who reviews a cross-border transaction before it is concluded.

Integrated form means the electronic or paper format of a contract between a reporting entity and its client resulting in a balance-of-payments reporting obligation. It includes a declaration to the effect that the information provided is true and correct.

Interbank transaction means a transaction between Authorised Dealers or between an Authorised Dealer and a foreign bank, which transaction is not directly or indirectly linked to a BOPCUS/BOPDIR/Non-Resident Rand/Non-Reportable reporting module. An Interbank transaction excludes domestic rand transactions between resident banks, foreign currency transfers between resident accounts as well as foreign currency transfers or rand / foreign currency transfers between the South Africa-domiciled branches of an Authorised Dealer.

Manual control means a control performed by individuals outside of an IT system to validate or review the accuracy of the cross-border transactions captured.

Non-resident means a person (i.e. a natural or legal person) whose normal place of residence, domicile or registration is outside of the Republic of South Africa.

Non-reportable transaction means a transaction that can be directly or indirectly linked to a BOPCUS/BOPDIR/NON-RESIDENT RAND module of the Financial Surveillance Department reporting system at the same reporting entity or another reporting entity. In addition, a non-reportable transaction includes domestic transactions where a currency conversion takes place or transfers between resident currency accounts or between non-resident currency accounts. A non-reportable transaction excludes domestic ZAR transactions between residents and resident banks. The term ZZ1 will be used to refer to a non-reportable transaction, which must be reported under the Non-reportable message structure.

Operations Manual means the document containing the guidelines for the reporting of information on transactions, the categorisation of such transactions (where applicable), and the processes in place to deal with import and export transactions.

Post-certification managerial letter of comfort means a letter issued by the reporting entity to the Financial Surveillance Department of the South African Reserve Bank after the on-boarding, transactional, accounting and FinSurv Reporting System, including the Reconciliation Module, has been deployed in a live environment successfully for at least one month.

Pre-certification managerial letter of comfort means a letter issued by the reporting entity to the Financial Surveillance Department of the South African Reserve Bank to confirm system readiness for certification after a successful transactional flow testing through the SARB.

Preventative control means the control implemented by the reporting entity to prevent or deter the conclusion or settlement of a cross-border transaction that is not compliant with the reporting rules requirements defined by the Financial Surveillance Department of the South African Reserve Bank. This may be system-driven (or automated) and/or process-driven (or manual), applied before a cross-border transaction is concluded in the reporting entity's source system and before it is submitted to the reporting entity's submission system

(or reporting system) and/or the South African Reserve Bank for reporting purposes.

Reporting entity means an Authorised Dealer, an Authorised Dealer in foreign exchange with limited authority, and a direct reporting entity.

Resident means any person (i.e. a natural person or a legal entity) who has taken up permanent residence or is domiciled or registered in the Republic of South Africa.

Same source principle means the reporting of all reportable cross-border transactional data without dual-manual capture. Reportable cross-border transactional data to be reported must be automatically extracted directly from the reporting entity's source systems.

Sanction-screening system means a system or an application used to perform the verification of customers and transactional details to detect, prevent and manage sanctions risk.

SARB means the South African Reserve Bank.

SARBDEX II means the South African Reserve Bank Data Exchange Architecture.

Source system data means all the reportable cross-border foreign exchange transactional data extracted directly from the reporting entity's source systems. This data must be sent to the Financial Surveillance Department of the South African Reserve Bank upon request for off-site and on-site inspections.

XML means the extensible mark-up language used by the World Wide Web Consortium to transfer data via the Internet.

ZZ1 transaction means a transaction that must be reported under the non-reportable message structure.

ZZ2 transaction means a transaction that is excluded from the Financial Surveillance Department reporting system.

2. Introduction

2.1 FinSurv Reporting System objective

- (i) Reporting entities are required to implement an electronic financial surveillance reporting system and reconciliation module as one of the key requirements to be granted final approval to commence with their approved cross-border business operation.
- (ii) The objective of the FinSurv Reporting System is to ensure the accurate and comprehensive reporting of all data by reporting entities on transactions, irrespective of the amount(s) involved, for the compilation of:
 - (a) balance-of-payments (BoP) statistics by the Economic Research Department of the South African Reserve Bank (SARB);
 - (b) foreign debt statistics and repayment profiles to support monetary policy decisions; and
 - (c) statistical information relating to the nature, volume and values of the various cross-border flows. This also enables the provision of appropriate information for economic and financial management decisions, and planning and policy formulation.

2.2 Purpose of the Reporting System Certification and Inspection Guideline

- (i) The purpose of this document is to provide the reporting entities with a guideline for the certification and inspection procedure for their reporting system and reconciliation module by the Financial Surveillance Department (FinSurv) of SARB.
- (ii) This guideline covers the certification procedures applicable when the reporting entity performs the following changes:
 - (a) implementation of the new reporting system and/or reconciliation module;
 - (b) enhancement of existing (or already approved) reporting system; or
 - (c) adding new cross-border products (additional to already approved ones).

Refer to sections 4. to 6. below for the detailed certification procedures. For ease of use and completeness, the certification procedures have been repeated in some instances to ensure that the reporting entity refers only to the section applicable to the type of change undertaken.

- (iii) This guideline must be read in conjunction with the following document and manuals, available on the SARB website link: Refer to the manuals from the website: www.resbank.co.za by following the links: Home>Financial Surveillance>Authorised Dealers>FinSurv Reporting System>FinSurv Reporting System documents or Home>Financial

Surveillance>ADLAs>FinSurv Reporting System >FinSurv Reporting System documents.

- (a) the Business and Technical Specifications document;
- (b) the Operations Manual; and
- (c) the Currency and Exchanges Manual for Authorised Dealers (Authorised Dealer Manual) and the Currency and Exchanges Manual for Authorised Dealers in foreign exchange with limited authority (ADLA Manual).

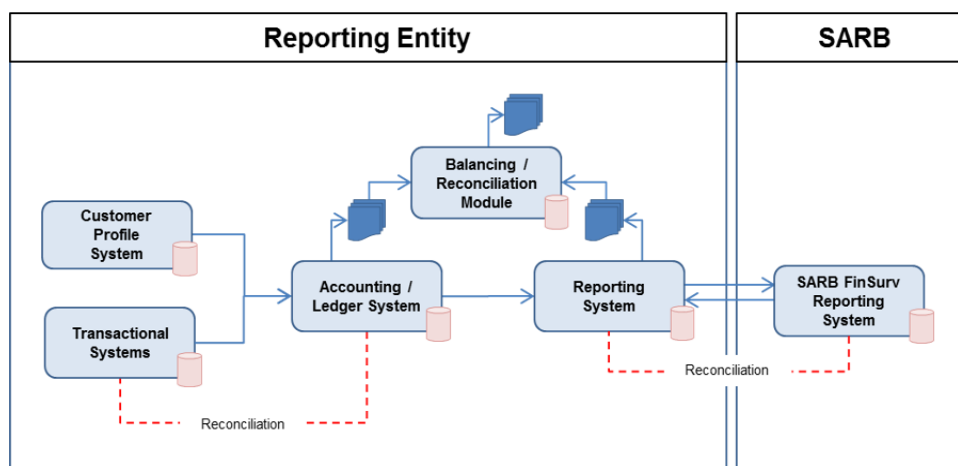
3. General information

3.1 FinSurv Reporting System implementation prerequisite

- (i) The reporting entity must obtain a conditional approval letter from the SARB-ADLA Supervision Division before it can commence with the implementation of its reporting system. For more details on the terms and conditions of the conditional approval, please contact the SARB-ADLA Supervision Division.
- (ii) Some of the key minimum information that the reporting entity must note from this conditional approval letter, which relates to the implementation of its reporting system, include:
 - (a) the reporting entity's user access logon credentials (i.e. username, password and uniform resource locator (URL) onto the South African Reserve Bank Data Exchange Architecture test environment (SARBDEX II QA); and
 - (b) a list of the approved cross-border balance-of-payment categories in respect of the inward and outward transactional flows, with the applicable transactional limits.

Note: The reporting entities under the appointed Authorised Dealers with limited authority (ADLA) may use only limited balance-of-payment categories as per their approval by FinSurv.

3.2 Same source reporting overview¹



- (i) The figure above provides an overview example of the cross-border transactional flow in compliance to the same-source reporting principle requirement of the FinSurv, which can differ case-by-case depending on the complexity of the reporting entity's IT system/landscape.
- (ii) The reporting entity's reporting system can be supported by a number of the source systems used for capturing, payment settlement and reconciliation of the cross-border transactions. These source systems include, at a minimum, the customer profile system, the transactional system(s), the accounting or ledger system, and the reconciliation module.
- (iii) Any changes made to the reporting system and/or source systems must be placed on record with FinSurv by submitting a formal application, for these changes to be certified before being promoted into production.

3.3 FinSurv Reporting System controls overview

- (i) The reporting entity must adhere, in all instances, to the reporting rules requirements defined in the Business and Technical Specifications document, the Authorised Dealer Manual, the ADLA Manual and the Operations Manual.
- (ii) The key minimum governance and system control that the reporting entity must adhere to the following:
 - (a) The reporting entity must implement preventative controls in its reporting system and source systems to ensure the integrity of cross-border data before transactions can be concluded in the source systems.

Detective controls may be implemented as an additional measure to review transactions after being concluded in the source systems,

¹ Please note, this is an example of illustration of the same source transactional flow demonstration for a reporting entity with large and complex IT systems/landscape. However, FinSurv will take into consideration on a case-by-case basis the reporting entity's IT landscape and merits of how the same source principle has been addressed.

but before these transactions can be submitted to the SARB for reporting.

- (b) The reporting entity must ensure that the system interfacing between its source systems is supported by automated reconciliation controls (e.g. hash totals), where there is a scheduled batch-job file transfer.
- (c) The reporting entity must ensure that the capturing of cross-border transactions in its source systems is automated, as far as possible, through the use of pre-populated drop-down lists, key mandatory fields, etc.
- (d) The reporting entity must apply the four-eye principle, as far as possible, for validation of the cross-border data before transactions can be concluded. This must include segregation of duties between a capturer and an approver (or authoriser). However, FinSurv will consider relaxing this requirement in instances where the reporting entity has implemented fully automated process controls, and/or where there are end-of-day process controls to verify applications processed.
- (e) The reporting entity must implement an electronic reporting rules engine to automatically validate and classify all reportable cross-border transactions and non-reportable 'ZZ1' transactions. These reporting rules must be in line with the requirements defined in the Business and Technical Specifications document and the Operations Manual.
- (f) The reporting entity's reporting system must be able to submit the following types of cross-border transactions to the SARB for reporting purposes, where applicable:

Transaction type	Description
Cancelled transaction (CT)	A recalling of the cross-border transactions already reported to the SARB for a cancellation due to valid reasons following the prescribed cancellation procedure as defined in the Operations Manual.
Original transaction (OT)	An error-free reportable transaction was submitted to the SARB for reporting purposes. This includes the BOPCUS, NON-RESIDENT RAND, BOPDIR, BOPCARD RESIDENT, NON-REPORTABLE 'ZZ1', BOPCARD NON-RESIDENT and/or INTERBANK transactions.
Replacement transaction	The replacing of a cancelled cross-border transaction with a new one following the prescribed replacement procedure as defined in the Operations Manual.
Reversal transaction	A correction of the cross-border transactional amount reported to the SARB following the prescribed reversal procedure as defined in

Transaction type	Description
	the Operations Manual. A reversal or refund is an actual transaction, which has the opposite flow of funds than the original transaction.
Split transaction	The splitting of reported bulk cross-border transactions with a single integrated form into individual transactions provide the SARB with underlying details.

- (g) The reporting entity's reporting system must classify all the cross-border transactions that must be reported to the SARB under one of the following reporting qualifiers:

Reporting qualifier	Description
BOPCUS	This module is used to report all the cross-border customer payments according to the reporting rules outlined in section B.1 of the Business and Technical Specification document.
BOPCARD RESIDENT	This module applies to all the outward payments effected by a South African resident or residents from the common monetary area (CMA) via a credit or debit card.
BOPCARD NON-RESIDENT	This module reports the bulk inflow of payments via a card system (VISA, MasterCard etc.). This information is based on cash withdrawals in South Africa and purchases from vendors in South Africa by non-resident cardholders.
NON-RESIDENT RAND	This module is used to identify the transactions concluded between NON-RESIDENT RANDaccount holders and South African residents.
BOPDIR	This module is used by independent entities (i.e. Sanlam and Eskom) to report transactions to the SARB. It operates similarly to the BOPCUS module, except for two additional fields to enable the SARB to balance its reporting with the bulk payment effected by the Authorised Dealers.
NON-REPORTABLE	This module is used to identify all those transactions which are directly or indirectly related to a BOPCUS transaction. The BOPCUS transaction will identify the originating and receiving parties, but the non-reportable module will report the internal transactions to complete the BOPCUS.

Reporting qualifier	Description
INTERBANK²	This module is used to identify transactions between Authorised Dealers in South Africa and those with foreign banks.

3.4 South African Reserve Bank data file submission requirements

- (i) The reporting entity's submission system must generate daily cross-border transactional files in an extensible mark-up language (XML) format, which must be submitted to the SARB for reporting within two business days for the Authorised Dealers or five business days for ADLAs, from the value date of the transaction.
- (ii) The SARB will provide the South African Reserve Bank Data Exchange Architecture (SARBDEX II) application software or gateway to the reporting entity at no cost, which will facilitate their cross-border transactional file transfer into the SARB for reporting.
- (iii) The application performs file layout and data content validation checks by calling schemas via the web.
- (iv) The reporting entity's submission system must comply with the security requirements defined in section A.3(C) of the Business and Technical Specification document. The submission system must automatically transfer cross-border data directly to the SARB for reporting purposes.

3.5 Data backup, offshoring and cloud computing

- (i) The reporting entity must implement a redundant-data backup storage facility as well as infrastructure for hosting and backing up cross-border data.
- (ii) The reporting entity must satisfy itself that the data centres hosting its cross-border data have extensive disaster recovery and business continuity processes and procedures in place. Regular disaster recovery tests must be performed to ensure that data can be recovered.
- (iii) FinSurv is prepared to consider requests for offshoring and cloud-computing models relevant exclusively to data, infrastructure and systems, as outlined in section J.(D) of the Authorised Dealer Manual and section C.1(D) of the ADLA Manual.

4. The certification procedure for a new reporting system implementation

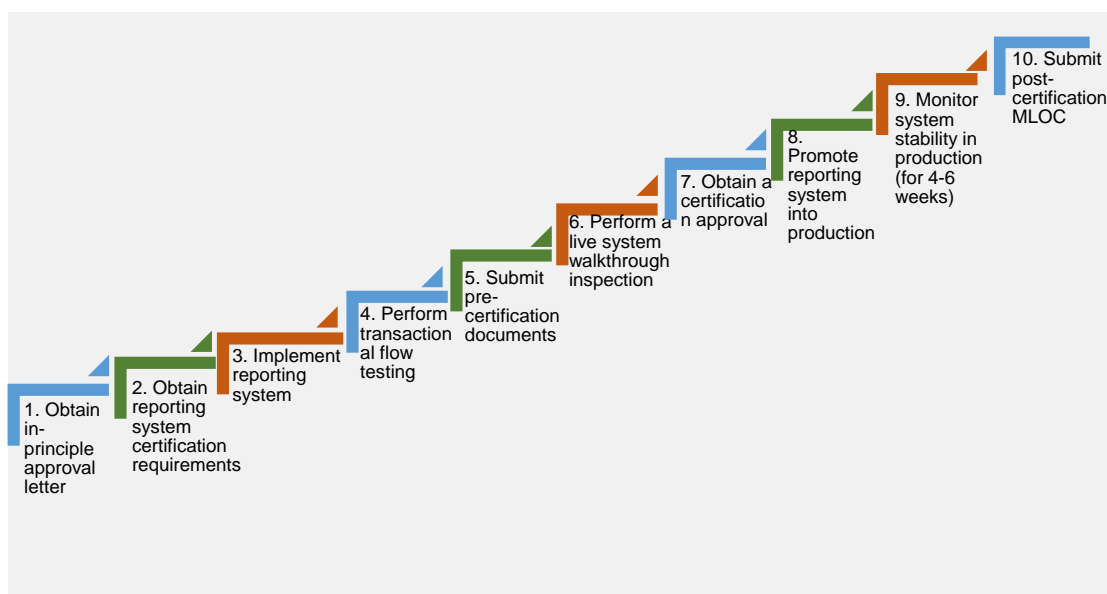
4.1 Purpose of certification for new reporting system implementation

The purpose of this section is to provide the reporting entity with the certification and inspection procedural guideline for its new reporting system and reconciliation module implementation, testing and certification (or approval) with the FinSurv.

² Details of these transactions will be published during phase 2 of the implementation of Interbank transactions

4.2 Certification procedure

4.2.1 Procedure overview



- (i) The figure above provides an overview of the certification procedure that the reporting entity must complete to obtain a certification approval of its reporting system from FinSurv.
- (ii) The reporting entity must first obtain a conditional (or in-principle) approval letter from FinSurv's ADLA Supervision Division before it can start with the implementation of its reporting system.
- (iii) The reporting entity must then contact FinSurv's Information Flow Division (inspection team) via the dedicated email address FNS-InfoFlow@resbank.co.za to obtain the reporting system certification requirements.

4.2.2 The system controls implementation guideline

- (i) The reporting entity must refer to the Business and Technical Specifications document and the Operations Manual for a comprehensive understanding of the technical reporting rules requirements that it must comply with when implementing its reporting system.
- (ii) In addition, there are some key minimum requirements of the application controls and business process controls that the reporting entity must implement in each of the reporting system components to maintain the integrity of the cross-border data reported to the SARB.
- (iii) The following key minimum requirements should be implemented in each of the reporting system components:

A. *A customer profile system (or database)*

The reporting entity must implement, as far as possible, the following key minimum controls in its customer profile system (or

database) to maintain the integrity of its customer information pertinent to the cross-border transacting, in compliance with the FinSurv's same source principle

- (a) The reporting entity must make use of a single centralised customer profile system, which electronically interfaces with the reporting system and the source systems to directly transfer the required customer information.
- (b) The reporting entity must implement a formal customer identification and verification procedure for the onboarding of new customers and/or the maintenance of existing customers' information.
- (c) The reporting entity must apply the four-eye principle to verify the integrity of its customer information captured. This should include the segregation of duties between a capturer and an authoriser in the new customer onboarding and/or maintenance process. However, FinSurv will consider relaxing this requirement in instances where the reporting entity has implemented fully automated process controls, and/or where there are end-of-day process controls to verify applications processed.
- (d) The reporting entity must classify its customers according to their residential status (i.e. a South African resident or a non-resident) for cross-border transacting.
- (e) The reporting entity must assign each of its customers a unique identification number.
- (f) The reporting entity must implement the sanction screening procedure for vetting of customers' details as and when a new customer is onboarded or during maintenance of existing customers' details.
- (g) The reporting entity must first obtain approval from FinSurv before outsourcing its customer on-boarding and/or maintenance functions to a third-party agent.

B. Transactional (or front-end) system(s)

The reporting entity must implement, as far as possible, the following key minimum controls in its transactional system(s) to maintain the integrity of its cross-border transactions, in compliance with the FinSurv's same source principle

- (a) The transactional system(s) must have an electronic system interface with the customer profile database to automatically extract relevant customer information upon capturing a new transaction.
- (b) The reporting entity must implement preventative controls to restrict updating of existing customer information directly on

the transactional system(s) without following the prescribed customer identification and verification procedure. Additional compensation controls can be implemented, such as an error-handling procedure.

- (c) The transactional system(s) must be configured with the key mandatory fields and/or pre-populated drop-down lists to automate the capturing of cross-border transactions, as far as possible.
- (d) The transactional system(s) must automatically route all the cross-border transactions to the reporting rules engine to be determined as either a reportable or a non-reportable 'ZZ1' transaction, as defined in section B.1 of the Business and Technical Specifications document.
- (e) The reporting entity must have an integrated form, either in hard copy or in electronic format, which must be completed and signed by its customers when concluding the cross-border transactions reported under the BOPCUS, NON-RESIDENT RAND and BOPDIR modules. The integrated form must contain the following minimum information:
 - (aa) The declarations in the integrated form must conform to the requirements outlined in section C.1 (E)(iii) & C.1 (G)(iii) of the Business and Technical Specifications document, section J.(E)(iii)(a) & J.(G)(iii)(a) of the Authorised Dealer Manual, section D.(E)(iii) of the ADLA Manual and section B.1(C) of the Operations Manual.
 - (bb) In instances where the reporting entity has the mandate to sign an integrated form on behalf of its customers, such a mandate should be kept up-to-date and should be retained to be made available upon request by the SARB.
- (f) The value date of the transaction must be used. This date is normally system generated unless a transaction must be executed on a specific day.
- (g) The transactional system(s) must automatically extract and pre-populate the daily exchange rates from the reporting entity's rates system, as far as possible. If not possible, the reporting entity is allowed to manually capture the transaction's exchange rate provided that the four-eye principle is applied to verify the integrity of data input.
- (h) The transactional system(s) must automatically perform a transactional limit checking as per the requirements defined in the Authorised Dealer Manual / the ADLA Manual or against the reporting entity's approval granted before a transaction can be concluded.

- (i) The reporting entity must implement preventative controls, as far as possible, to validate data input before transactions can be concluded and/or settled. Detective controls may be used as supplementary measures to validate transactions before being reported to the SARB.
- (j) The reporting entity must apply the four-eye principle, as far as possible, to verify the integrity of the transactions captured. This must include segregation of duties between a capturer and an authoriser before transactions can be concluded. However, FinSurv will consider relaxing this requirement in instances where the reporting entity has implemented fully automated process controls, and/or where there are end-of-day process controls to verify applications processed.
- (k) The transactional system(s) must electronically interface with the payment instruction system, for example, the Society for Worldwide Interbank Financial Telecommunication (SWIFT), to automatically route transactions to initiate a payment settlement.
- (l) The transactional system(s) must be linked to a sanction-screening application to automatically route the cross-border transaction for a screening process to verify both customer and/or beneficiary details before a transaction can be concluded.

C. An accounting (or ledger) system

The reporting entity must implement all the key minimum reporting system controls in its accounting (or ledger) system to maintain the integrity of cross-border transactions, in compliance with the FinSurv's same source principle

- (a) The accounting system must electronically interface with the transactional system(s), in instances where this is not already included as part of a single consolidated module such as an Enterprise Resource Planning (ERP) system. This is important to facilitate an automated enrichment of transactions with the relevant account details, where necessary, before their straight-through processing to the reporting system. This process may be concluded in real-time or as a scheduled end-of-day batch-job file transfer.
- (b) The reporting entity must implement automated reconciliation control checks (e.g. hash totals), where a batch-job file transfer is used to ensure data completeness.
- (c) The accounting system must electronically interface with the reporting entity's customer profile database to automatically enriched transactions with the relevant customer details before their straight-through processing to the reporting system.

- (d) The accounting system must electronically interface with the reporting entity's submission system to automatically extract and transfer daily reports of all the reportable and non-reportable cross-border transactions, using straight-through processing. This data transfer process may be concluded in real-time or as a scheduled end-of-day batch-job file transfer, and no manual intervention is permitted to trigger this process.
- (e) The accounting system must be able to generate the daily reports referred to in (d) above, in an Excel or Comma Separated Values (CSV) format, which must be submitted to the FinSurv upon request as the source-system data report used for the off-site and on-site inspections.
- (f) The reporting entity must implement reconciliation process controls to ensure the accuracy and completeness of data transfer between its accounting system and other submission systems.
- (g) The accounting system must electronically interface with the reconciliation module to automatically extract and transfer daily reports of all the reportable and non-reportable cross-border transactions, using straight-through processing. This data transfer process may be concluded in real-time or as a scheduled end-of-day batch-job file transfer.

D. The FinSurv Reporting System

The reporting entity must implement all the key minimum reporting system controls in its reporting system to maintain the integrity of the cross-border transactions, in compliance with the FinSurv same source principle

- (a) The reporting entity must make use of a single electronic reporting (or submission) system to automatically transmit all the reportable and non-reportable cross-border data to the SARB for reporting purposes.
- (b) The reporting system must electronically interface with the source system(s) for the daily reports referred to in (a) above to be automatically transmitted from the source system(s) into the reporting system, using a straight-through processing 'same source reporting principle'.
- (c) The reporting system must automatically categorise the reported cross-border transactions under the relevant reporting qualifiers or modules, as specified in section C.1 of the Business and Technical Specification document or section B.3 of the Operations Manual. The cross-border transactions with the balance-of-payment category code of 'ZZ1' must be classified under the non-reportable module.

- (d) The reporting system must be configured with the reporting rules engine that meets all the reporting rules requirements as defined in section B.1 of the Business and Technical Specifications document.
- (e) The reporting system must automatically perform validations of all the cross-border transactions, in line with the requirements outlined in section E.1 of the Business and Technical Specifications document, before the transactions can be submitted to the SARB for reporting purposes.
- (f) The reporting system must generate an error log where validation rules violations are identified. The descriptions of the errors identified must conform to the requirements defined in section E.2 of the Business and Technical Specifications document.
- (g) The reporting system must restrict or prevent transactions with errors to be submitted to the SARB for reporting. The reporting entity must have a formal procedure in place to rectify the validations errors noted, as indicated in point (f) above.
- (h) The reporting system must electronically interface the SARB through the SARBDEX II application/gateway, to facilitate reporting of all the reportable and non-reportable cross-border transactions using a straight-through processing 'same source reporting principle'.
- (i) The reporting entities must report their daily reports (or files) of all cross-border data within two business days from the value date of the transaction to the SARB for reporting purposes. While the ADLA reporting entities must report their daily reports (or files) of all cross-border transactions within five business days from the value date of the transaction.
- (j) The reporting system must be able to send and receive responses (or acknowledgements) from the SARB on its file submission during the cross-border data reporting, showing their submission status as either 'accepted' or 'rejected'. This file must be generated in a prescribed XML format, as defined in the Business and Technical Specifications document.
- (k) The reporting entity must have a formal procedure in place to rectify and resubmit all their rejected transactions from the SARB within one business day from the date of the rejection.
- (l) The reporting entity must be able to recall and cancel the cross-border transactions already reported to the SARB, provided there are valid reasons to do so. In such instances, the reporting entity must follow the cancellation procedure prescribed in section B.1(J) of the Operations Manual.

- (m) The reporting entity must replace all the cancelled transactions, as far as possible, with new ones. In such instances, the reporting entity must follow the replacement procedure prescribed in sections B.1(E)(3) and B.1(E)(4) of the Operations Manual.
- (n) The reporting entity must be able to reverse and correct the cross-border transactions data already reported to the SARB, provided there are valid reasons to do so. In such instances, the reporting entity must follow the reversal procedure prescribed in section B.1(H) (22) of the Operations Manual.
- (o) The reporting system must electronically interface with the reconciliation module to automatically extract and transfer daily reports of all the reportable and non-reportable cross-border transactions, using straight-through processing. This data transfer process may be concluded in real-time or as a scheduled end-of-day batch-job file transfer.

E. The reconciliation module

The reporting entity must implement all the key minimum reporting system controls in its reconciliation module to maintain the integrity of cross-border transactions, in compliance with the FinSurv same source principle

- (a) The reporting entity must make use of a single straight-through processing system, in an electronic format, which must daily account for all the reportable, non-reportable and interbank cross-border transactions submitted to and confirmed by the SARB.
- (b) The reporting entity must ensure that the functioning of its reconciliation module meets all the reporting rules requirements set by FinSurv, as outlined in section J.(I) of the Authorised Dealer Manual, section C.1(I) of the ADLA Manual and section B.1(D) of the Operations Manual.
- (c) In amplification of the above, the reporting entity must ensure that it implements the following key minimum reconciliation controls:
 - (aa) daily reports of all the reportable, non-reportable and interbank cross-border transactions from the source system(s) and reporting system must be independently drawn into the reconciliation module, using a straight-through processing 'same source principle';
 - (bb) the reporting entity can use a real-time file transfer method or a scheduled end-of-day batch-job file transfer to draw these daily reports. Manual intervention is not permitted to trigger this data file transfer;

- (cc) the reconciliation module must have parameters defined to electronically match daily reports referred to in point (aa) above. This electronic matching must be performed at a transactional level using a combination of unique primary reporting data fields (e.g. a transactional reference number, a transactional amount and/or a transactional value date);
- (dd) the reporting entity must apply the four-eye principle to detect and rectify any mismatches noted during the reconciliation process;
- (ee) the reconciliation module must be able to compile the following reconciliation reports referred to in point (cc) above:
 1. compile a daily report of all reportable and non-reportable cross-border transactions independently drawn from the source system(s), as referred to in point (aa) above;
 2. compile a daily report of all reportable and non-reportable cross-border transactions reported to the SARB by the reporting entity's submission system, as referred to in point (aa) above. This report must show the SARB responses of each transactions' submission status as either 'accepted' or 'rejected'; and
 3. compile a daily report of transactions not matched between the source system(s) and the reporting system. This reconciliation report must show the reconciled (matched) and unreconciled (unmatched) transactions identified following the electronic reconciliation matching.
- (ff) the reconciliation module must be able to generate the reconciliation reports referred to in point (ee) above in Excel or text (semicolon delimited) format, which must be forwarded to FinSurv upon request; and
- (gg) in cases where the reporting entity changes the status of the reported cross-border transactions following any amendments that may be required, the reconciliation module must be updated to ensure that this manual intervention does not distort the reconciliation process.

4.2.3 Transactional flow testing requirements

- (i) Once the reporting entity has implemented system controls as defined in section 4.2.1 of this document, the next step is to perform system testing with the SARB.
- (ii) The following testing requirements should be performed:

A. Internal transactional flow testing

- (a) During the internal testing phase, the reporting entity is required to process various cross-border transactions with all the permissible or approved balance-of-payment categories in respect of inward and outward flows.
- (b) The transactional flow testing must be performed in the reporting entity's testing environment, with the transactions being pursued from its source system through to its reporting system. Please note, the reporting entity's test environment must be a direct replica of its production environment.
- (c) During this testing, the reporting entity is required to perform negative testing by deliberately submitting transactions with errors to its reporting system. Refer to section E.2 of the Business and Technical Specifications document for a reference on data input validation errors.
- (d) The reporting entity must then run these transactions through their reporting system's validation checks to verify whether the system will be able to identify data input errors.
- (e) The reporting entity must generate an extract of an error log from its reporting (or submission) system, and this log must be retained to be sent to FinSurv's inspection team upon request.
- (f) Once the reporting entity is fully satisfied with the extensive internal testing, it must correct all the data input validation errors and re-run sampled transactions through its reporting system validation to ensure that all transactions are error-free before same could be submitted to the SARB.
- (g) Where applicable, the reporting entity is required to perform testing in respect of split reporting (more than one sequence).

B. Dedicated testing to the South African Reserve Bank

- (a) During this testing, the reporting entity must submit a file of their error-free cross-border transactions, referred to in point (A) above, through to the SARB test database for reporting. This file must be generated in a prescribed XML format, as defined in the Business and Technical Specifications document.
- (b) The reporting entity must ensure that its reporting system can send and receive responses (or acknowledgements) from the SARB on its file submission during the cross-border data reporting, showing their submission status as either 'accepted' or 'rejected'.

- (c) The reporting entity must rectify all transactions with SARB 'rejections' following its defined procedure and resubmit same to the SARB.
- (d) Thereafter, the reporting entity is required to recall and cancel at least five to ten transactions that have been successfully reported to the SARB, following FinSurv's prescribed cancellation procedure, as defined in section B.1(J) of the Operations Manual.
- (e) The reporting entity must then replace all these cancelled transactions with new transactions following FinSurv's prescribed replacement procedure, as defined in sections B.1(E)(3) and B.1(E)(4) of the Operations Manual.
- (f) The reporting entity must also reverse five to ten cross-border transactions already reported to the SARB for a correction, following FinSurv's prescribed reversal/refund procedure, as defined in section B.1(H) (22) of the Operations Manual.
- (g) Furthermore, the reporting entity is required to test its reconciliation module to verify its functioning in line with the requirements stated in section J.(I) of the Authorised Dealer Manual and section C.1(I) of the ADLA Manual.
- (h) The reconciliation module testing must include confirmation that it can perform the following functions:
 - (aa) independently draw all the reportable cross-border transactions (i.e. reportable, non-reportable 'ZZ1' and interbank transactions) from the source system(s) and compile a daily report thereof;
 - (bb) independently draw and compile a daily report of all the reportable transactions submitted to the SARB for reporting through the reporting entity's submission system;
 - (cc) electronically match the reportable transactions from the daily reports referred to in points (aa) and (bb) above to verify the completeness of transactions reporting; and
 - (dd) create extractable daily reports referred to in points (aa), (bb) and (cc) above in Excel or text (semicolon delimited) format to be sent to FinSurv upon request.
- (i) The reporting entity must then generate the following reports and submit them to FinSurv's inspection team upon request:
 - (aa) a daily reconciliation report showing a schedule of all the reportable matched or reconciled cross-border transactions between the source (or accounting) system and the reporting entity's submission system; and

- (bb) a daily reconciliation report showing a schedule of all the reportable cross-border transactions unmatched or unreconciled between the source system(s) and the reporting entity's submission system.
- (j) Once all the testing has been completed, the reporting entity must notify FinSurv's inspection team via a dedicated email address FNS-InfoFlow@resbank.co.za and include the file reference numbers of all the test transactions submitted to the SARB.
- (k) FinSurv's inspection team will notify the reporting entity should further testing be required.

4.2.4 Pre-certification system governance document requirements

- (i) The reporting entity must submit the following system governance documents to the FinSurv inspection team upon request, before scheduling the system walkthrough demonstration:
 - (a) A signed copy of the pre-certification managerial letter of comfort, to provide the reporting entity's self-attestation that it has ensured compliance with all the FinSurv requirements and that they are ready to conduct a live system walkthrough demonstration with the FinSurv inspection team. For sake of completeness regarding the minimum information to be covered in this self-attestation letter, please refer to a template in Annexure B.1. Also, refer to section J.(J)(ii) of the Authorised Dealer Manual or section C.1(C)(ii) of the ADLA Manual; and
 - (b) An updated inspection manual provides a comprehensive overview of the reporting entity's current IT landscape showing its cross-border transactional logical flow through its sources system(s) and reporting system landscape, their cross-border function and organisational structure, etc. Refer to section J.(J)(i) of the Authorised Dealer Manual or section C.1(C)(i) of the ADLA Manual

4.2.5 System walkthrough demonstration requirements

- (i) Once the reporting entity has completed all the system testing and submitted the required system governance documents, FinSurv's inspection team will schedule a live system walkthrough demonstration (i.e. either by onsite visit or virtually using Microsoft Teams software).
- (ii) During a live system walkthrough, the reporting entity will be requested to conduct a demonstration of its procedure to process the following types of cross-border transactions:
 - (a) An original transaction (OT);
 - (b) A cancelled transaction (CT); and
 - (c) A reversal transaction.

- (iii) The reporting entity will be requested to pursue a sample of original transactions (OT) from their source systems through to their reporting system while demonstrating:
 - (a) the new customer on-boarding process;
 - (b) existing customer information maintenance on the reporting entity's centralised customer profile database;
 - (c) the capturing of a new cross-border transaction on the reporting entity's transactional (or front-end) system, using a sample of its approved balance-of-payment categories, as requested by the FinSurv inspection team. The reporting entity will also be requested to:
 - (aa) provide a complete list of all the key mandatory fields required to be captured on the system. The reporting entity may be asked to send this list of mandatory fields to the inspection team;
 - (bb) explain and/or demonstrate how the transactional (or front-end) system performs limit checking in line with its approval granted. The reporting entity will also have to explain the business process controls used to monitor and rectify any limit checking violations identified;
 - (cc) explain and/or demonstrate how reportable and non-reportable cross-border transactions are determined in the transactional (or front-end) system;
 - (dd) explain and/or demonstrate its cross-border transactions sanction-screening procedure; and
 - (ee) explain and/or demonstrate how the cross-border transactions are routed to its payment instruction system (e.g. SWIFT) to initiate a payment settlement; and
 - (d) the flow of cross-border transactions from the transactional (or front-end) system to the accounting system using the transactions captured on the previous day, to understand how transactions are settled. The reporting entity will be requested to provide the FinSurv inspection team with:
 - (aa) the underlying documentation (e.g. invoices or SWIFT statements) which can be compared to the entries in the source (or accounting) system; and
 - (bb) an extract from the data reports generated by the source (or accounting) system, with a sample of the cross-border transactions processed.
- (iv) The reporting entity will also be requested to demonstrate their submission system's same source cross-border reporting capability covering the following:

- (a) receipt of cross-border data files from its source (or accounting) system, with all the validations performed before the transactions are submitted to the SARB;
 - (b) how the cross-border transactions are submitted to the SARB for reporting purposes; and
 - (c) how it reviews and amends the errors reported by the SARB and/or the rejections received from the file submissions.
- (v) The reporting entity will be required to demonstrate its cancellation procedure for transactions already reported to the SARB. This will be performed by recalling an OT and then cancelling it, as per the procedure prescribed by FinSurv.
 - (vi) The reporting entity will be requested to replace the cancelled transaction with a new one, following the replacement procedure prescribed by FinSurv.
 - (vii) The reporting entity will be required to demonstrate the functioning of its reconciliation module, as prescribed in section J.(I) of the Authorised Dealer Manual and section C.1(I) of the ADLA Manual.
 - (viii) The reporting entity may use the inspection checklist in Annexure A of this document as preparation for its readiness for a system walkthrough with FinSurv's inspection team.

4.2.6 Post-certification system governance document requirements

- (i) Once a system certification has been concluded successfully and final approval has been obtained from FinSurv, the reporting entity is permitted to activate their reporting system's production link to the SARB production for daily reporting of their cross-border transactions to the SARB. It is only then that the reporting entity is allowed to commence with its approved cross-border business operations.
- (ii) Once the reporting entity has started reporting its cross-border transactions to the SARB in production, they are required to monitor their reporting process for at least four to six weeks to ensure system stability.
- (iii) Once satisfied that there are no major issues experienced, the reporting entity must submit a post-certification managerial letter of comfort within six weeks from the date on which its reporting system went 'live' (i.e. from the activation of its production link to the SARB).
- (iv) Please refer to Annexure B.2 in this document, for a template of a post-certification managerial letter of comfort for guidance on the contents of such a letter. Also, refer to section J.(J)(ii) of the Authorised Dealer Manual or section C.1(C)(ii) of the ADLA Manual.

5. The certification procedure for the reporting system enhancements

5.1 Purpose of the certification procedure for the reporting system enhancements

- (i) The purpose of this section is to provide the reporting entity with a guideline on the certification and inspection procedure for the implementation, testing and certification (or approval) of its reporting system enhancements by FinSurv.
- (ii) Reporting system enhancements mean technical system changes made to the reporting system and/or source systems used by the reporting entity to process cross-border transactions.
- (iii) These include technical system changes to the reporting entity's source systems (i.e. customer profile database, transactional (or front-end) system or accounting system), reporting (or submission) system and/or reconciliation module. Examples of these technical system changes include, but are not limited to, the following:
 - (a) A version upgrade of the reporting entity's approved and/or existing FinSurv Reporting System (or submission) system, source (or accounting) system or reconciliation module;
 - (b) Technical system modifications on the reporting entity's approved and/or existing financial surveillance reporting (or submission) system, source (or accounting) system or reconciliation module; and
 - (c) Replacement of the reporting entity's approved and/or existing financial surveillance reporting (or submission) system, source (or accounting) system or reconciliation module.

5.2 Certification procedure

5.2.1 System changes implementation guideline

- (i) Before commencing with the change implementation, the reporting entity must submit a formal application to FinSurv for approval, detailing its proposed technical system changes.
- (ii) The reporting entity may be required to arrange a meeting with FinSurv to present its proposed technical system changes and/or to provide further information before changes can be approved.
- (iii) The reporting entity may only proceed with the implementation of its technical system changes upon receipt of the FinSurv approval. The reporting entity must ensure that changes made do not impact the integrity of its existing reporting system controls, by performing end-to-end system testing.
- (iv) Once the system changes have been implemented, the reporting entity must contact FinSurv's Information Flow Division via a dedicated email address (FNS-InfoFlow@resbank.co.za) for testing and certification of its system changes by the FinSurv.

5.2.2 Transactional flow testing requirements

- (i) The reporting entity will be required to perform comprehensive transactional flow testing from its source (or accounting) system to its financial surveillance reporting (or submission) system, to verify that the system changes are in line with the approval granted and that these changes have not adversely impacted the integrity of its cross-border same-source reporting.
- (ii) The transactional flow testing phase will include the following:
 - A. *Internal transactional flow testing*
 - (a) During the internal testing phase, the reporting entity is required to process various cross-border transactions with all the permissible or approved balance-of-payment categories in respect of inward and outward flows.
 - (b) The transactional flow testing must be performed in the reporting entity's testing environment, with the transactions being pursued from its source system through to its reporting system. Please note, the reporting entity's test environment must be a direct replica of its production environment.
 - (c) During this testing, the reporting entity is required to perform negative testing by deliberately submitting transactions with errors to its reporting system. Please see section E.2 of the Business and Technical Specifications document for a reference on data input validation errors.
 - (d) The reporting entity must then run these transactions through its reporting system's validation checks to verify whether the system will be able to identify data input errors.
 - (e) The reporting entity must generate an extract of an error log from its reporting (or submission) system, and this log must be retained to be sent to FinSurv's inspection team upon request.
 - (f) Once the reporting entity is fully satisfied with the extensive internal testing, it must correct all the data input validation errors and re-run sampled transactions through its reporting system validation to ensure that all transactions are error-free before same could be submitted to the SARB.
 - (g) Where applicable, the reporting entity is required to perform testing in respect of split reporting (more than one sequence).
 - B. *Dedicated testing through the South African Reserve Bank*

- (a) During this testing, the reporting entity must submit a file of their error-free cross-border transactions referred to in point (A) above, through to the SARB test database for reporting. This file must be generated in a prescribed XML format, as defined in the Business and Technical Specifications document.
- (b) The reporting entity must ensure that its reporting system can send and receive responses (or acknowledgements) from the SARB on its file submission during the cross-border data reporting, showing their submission status as either 'accepted' or 'rejected'.
- (c) The reporting entity must rectify all transactions with SARB 'rejections' following its defined procedure and resubmit same to the SARB.
- (d) Thereafter, the reporting entity is required to recall and cancel at least five to ten transactions that have been successfully reported to the SARB, following FinSurv's prescribed cancellation procedure, as defined in section B.1(J) of the Operations Manual.
- (e) The reporting entity must then replace all these cancelled transactions with a new transaction following FinSurv's prescribed replacement procedure, as defined in sections B.1(E)(3) and B.1(E)(4) of the Operations Manual.
- (f) The reporting entity must also reverse five to ten cross-border transactions already reported to the SARB for a correction, following FinSurv's prescribed reversal/refund procedure, as defined in section B.1(H) (22) of the Operations Manual.
- (g) Furthermore, the reporting entity is required to test its reconciliation module to verify its functioning in line with the requirements stated in section J.(I) of the Authorised Dealer Manual and section C.1(I) of the ADLA Manual.
- (h) The reconciliation module testing must include confirmation that it can perform the following functions:
 - (aa) Independently draw all the reportable cross-border transactions (i.e. reportable, non-reportable 'ZZ1' and interbank transactions) from the source system(s) and compile a daily report thereof.
 - (bb) Independently draw and compile a daily report of all the reportable transactions submitted to the SARB for reporting through the reporting entity's submission system.
 - (cc) Electronically match the reportable transactions from the daily reports referred to in points (aa) and (bb) above to verify the completeness of transactions reporting.

- (dd) Create extractable daily reports referred to in points (aa), (bb) and (cc) above in Excel or text (semicolon delimited) format to be sent to FinSurv upon request.
- (i) The reporting entity must then generate the following reports and submit them to FinSurv’s inspection team upon request:
 - (aa) A daily reconciliation report showing a schedule of all the reportable matched or reconciled cross-border transactions between the source (or accounting) system and the reporting entity’s submission system; and
 - (bb) A daily reconciliation report showing a schedule of all the reportable cross-border transactions unmatched or unreconciled between the source system(s) and the reporting entity’s submission system.
- (j) Once all the testing has been completed, the reporting entity must notify FinSurv’s inspection team via a dedicated email address FNS-InfoFlow@resbank.co.za and include the file reference numbers of all the test transactions submitted to the SARB.
- (k) FinSurv’s inspection team will notify the reporting entity should further testing be required.

5.2.3 Pre-certification system governance document requirements

- (i) The reporting entity must submit the following system governance documents to the FinSurv inspection team upon request, before scheduling the system walkthrough demonstration:
 - (a) A signed copy of the pre-certification managerial letter of comfort, to provide the reporting entity’s self-attestation that it has ensured compliance with all the FinSurv requirements and that they are ready to conduct a live system walkthrough demonstration with the FinSurv inspection team. For sake of completeness regarding the minimum information to be covered in this self-attestation letter, please refer to the template in Annexure B.1. Also, refer to section J.(J)(ii) of the Authorised Dealer Manual or section C.1(C)(ii) of the ADLA Manual; and
 - (b) An updated inspection manual provides a comprehensive overview of the reporting entity’s current IT landscape showing its cross-border transactional logical flow through its sources system(s) and reporting system landscape, their cross-border function and organisational structure, etc. Refer to section J.(J)(i) of the Authorised Dealer Manual or section C.1(C)(i) of the ADLA Manual.

5.2.4 System walkthrough demonstration requirements

- (i) Once the reporting entity has completed all the system testing and submitted the required system governance documents, FinSurv's inspection team will schedule a live system walkthrough demonstration (i.e. either by onsite visit or virtually using Microsoft Teams software).
- (ii) During a live system walkthrough, the reporting entity will be requested to conduct a demonstration of its procedure to process the following types of cross-border transactions:
 - (a) an original transaction (OT);
 - (b) a cancelled transaction (CT); and
 - (c) a reversal transaction.
- (iii) The reporting entity will be requested to pursue a sample of original transactions (OT) from their source systems through to their reporting system while demonstrating the following business procedures of the cross-border transacting:
 - (a) the new customer on-boarding process;
 - (b) existing customer information maintenance on the reporting entity's centralised customer profile database;
 - (c) the capturing of a new cross-border transaction on the reporting entity's transactional (or front-end) system, using a sample of its approved balance-of-payment categories, as requested by the FinSurv inspection team. The reporting entity will also be requested to:
 - (aa) provide a complete list of all the key mandatory fields required to be captured on the system. The reporting entity may be asked to send this list of mandatory fields to the inspection team;
 - (bb) explain and/or demonstrate how the transactional (or front-end) system performs limit checking in line with its approval granted. The reporting entity will also have to explain the business process controls used to monitor and rectify any limit checking violations identified;
 - (cc) explain and/or demonstrate how reportable and non-reportable cross-border transactions are determined in the transactional (or front-end) system;
 - (dd) explain and/or demonstrate its cross-border transactions sanction-screening procedure; and
 - (ee) explain and/or demonstrate how the cross-border transactions are routed to its payment instruction system (e.g. SWIFT) to initiate a payment settlement.

- (d) The flow of cross-border transactions from the transactional (or front-end) system to the accounting system using the transactions captured on the previous day, to understand how transactions are settled. During this demonstration, the following will be requested from the reporting entity:
 - (aa) provide the FinSurv inspection team with underlying documentation (e.g. invoices or SWIFT statements) which can be compared to the entries in the source (or accounting) system; and
 - (bb) provide an extract from the data reports generated by the source (or accounting) system, with a sample of the cross-border transactions processed.
- (e) Same source cross-border reporting on the reporting entity's submission system. The reporting entity will also be requested to demonstrate the following:
 - (a) receipt of cross-border data files from its source (or accounting) system with all the validations performed before the transactions are submitted to the SARB;
 - (b) how the cross-border transactions are submitted to the SARB for reporting purposes; and
 - (c) how it reviews and amends the errors reported by the SARB and/or the rejections received from the file submissions.
- (iv) The reporting entity will be required to demonstrate its cancellation procedure for transactions already reported to the SARB. This will be performed by recalling an OT and then cancelling it, as per the procedure prescribed by FinSurv.
- (v) The reporting entity will be requested to replace the cancelled transaction with a new one, following the replacement procedure prescribed by FinSurv.
- (vi) The reporting entity will be required to demonstrate the functioning of its reconciliation module, as prescribed in section J.(I) of the Authorised Dealer Manual and section C.1(I) of the ADLA Manual.
- (vii) The reporting entity may use the inspection checklist in Annexure A of this document as preparation for its readiness for a system walkthrough with FinSurv's inspection team.

5.2.5 Post-certification system governance document requirements

- (i) Once a system certification has been concluded successfully and final approval has been obtained from FinSurv, the reporting entity is permitted to activate their reporting system's production link to the SARB production for daily reporting of their cross-border transactions to the SARB. It is only then that the reporting entity is allowed to commence with its approved cross-border business operations.

- (ii) Once the reporting entity has started reporting its cross-border transactions to the SARB in production, they are required to monitor their reporting process for at least four to six weeks to ensure system stability.
- (iii) Once satisfied that there are no major issues experienced, the reporting entity must submit a post-certification managerial letter of comfort within six weeks from the date on which its reporting system went 'live' (i.e. from the activation of its production link to the SARB).
- (iv) Refer to Annexure B.2 in this document, for a template of a post-certification managerial letter of comfort for guidance on the contents of such a letter. Also, refer to section J.(J)(ii) of the Authorised Dealer Manual or section C.1(C)(ii) of the ADLA Manual.

6. The certification procedure for product changes

6.1 Purpose of the certification procedure for product changes

- (i) The purpose of this section is to provide the reporting entity with a guideline on the certification and inspection procedure for the implementation, testing and certification (or approval) of its product changes by FinSurv.
- (ii) In the context of the cross-border reporting, product changes mean the adding of new cross-border-related products and/or service offerings to the ones that have already been approved by FinSurv. It also means updates or enhancements of existing products (already approved).
- (iii) Examples of these product changes include, but are not limited to, the following:
 - (a) adding a new cross-border product or service offering to the reporting entity's already approved and/or existing products or services;
 - (b) adding a new product or service channel offering to the reporting entity's already approved and/or existing ones (e.g. an additional mobile or online platform);
 - (c) adding a new cross-border balance-of-payment category to the ones already approved;
 - (d) adding (or on-boarding) a new money transfer operator or payment partner; or
 - (e) enhancement/upgrade of existing cross-border related products.

6.2 Certification procedure

6.2.1 Product change implementation guideline

- (i) The reporting entity is required to submit a formal application to FinSurv, with details of proposed new product changes for approval before commencing with the change implementation.
- (ii) Where deemed necessary, the reporting entity may be required to arrange a meeting with FinSurv to present their proposed product changes to provide further information before changes can be approved.
- (iii) The reporting entity may only proceed with the implementation of its product changes upon receipt of the FinSurv approval. The reporting entity must ensure that changes made do not impact the integrity of its existing reporting system controls, by performing end-to-end system testing. Testing will depend on the extent of the change made, which will be discussed and agreed upon with FinSurv.
- (iv) Once the system changes have been implemented, the reporting entity must contact FinSurv's Information Flow Division via a dedicated email address (FNS-InfoFlow@resbank.co.za) for testing and certification of its system changes by the FinSurv.

6.2.2 Transactional flow testing requirements

- (i) The reporting entity will be required to perform comprehensive transactional flow testing from its source (or accounting) system to its financial surveillance reporting (or submission) system, to verify that the system changes are in line with the approval granted and that these changes have not adversely impacted the integrity of its cross-border same-source reporting.
- (ii) The transactional flow testing phase will include the following:
 - A. *Internal transactional flow testing*
 - (a) During the internal testing phase, the reporting entity is required to process various cross-border transactions with all the permissible or approved balance-of-payment categories in respect of inward and outward flows.
 - (b) The transactional flow testing must be performed in the reporting entity's testing environment, with the transactions being pursued from its source system through to its reporting system. Please note, the reporting entity's test environment must be a direct replica of its production environment.
 - (c) During this testing, the reporting entity is required to perform negative testing by deliberately submitting transactions with errors to its reporting system. Please see section E.2 of the Business and Technical Specifications document for a reference on data input validation errors.
 - (d) The reporting entity must then run these transactions through its reporting system's validation checks to verify whether the system will be able to identify data input errors.

- (e) The reporting entity must generate an extract of an error log from its reporting (or submission) system, and this log must be retained to be sent to FinSurv's inspection team upon request.
- (f) Once the reporting entity is fully satisfied with the extensive internal testing, it must correct all the data input validation errors and re-run sampled transactions through its reporting system validation to ensure that all transactions are error-free before same could be submitted to the SARB.
- (g) Where applicable, the reporting entity is required to perform testing in respect of split reporting (more than one sequence).

B. Dedicated testing through the South African Reserve Bank

- (a) During this testing, the reporting entity must submit a file of their error-free cross-border transactions, referred to in point (A) above, through to the SARB test database for reporting. This file must be generated in a prescribed XML format, as defined in the Business and Technical Specifications document.
- (b) The reporting entity must ensure that its reporting system can send and receive responses (or acknowledgements) from the SARB on its file submission during the cross-border data reporting, showing their submission status as either 'accepted' or 'rejected'.
- (c) The reporting entity must rectify all transactions with SARB 'rejections' following its defined procedure and resubmit same to the SARB.
- (d) Thereafter, the reporting entity is required to recall and cancel at least five to ten transactions that have been successfully reported to the SARB, following FinSurv's prescribed cancellation procedure, as defined in section B.1(J) of the Operations Manual.
- (e) The reporting entity must then replace all these cancelled transactions with new transactions following FinSurv's prescribed replacement procedure, as defined in sections B.1(E)(3) and B.1(E)(4) of the Operations Manual.
- (f) The reporting entity must also reverse five to ten cross-border transactions already reported to the SARB for a correction, following FinSurv's prescribed reversal/refund procedure, as defined in section B.1(H) (22) of the Operations Manual.
- (g) Furthermore, the reporting entity is required to test its reconciliation module to verify its functioning in line with the requirements stated in section J.(I) of the Authorised Dealer Manual and section C.1(I) of the ADLA Manual.

- (h) The reconciliation module testing must include confirmation that it can perform the following functions:
 - (aa) independently draw all the reportable cross-border transactions (i.e. reportable, non-reportable 'ZZ1' and interbank transactions) from the source system(s) and compile a daily report thereof;
 - (bb) independently draw and compile a daily report of all the reportable transactions submitted to the SARB for reporting through the reporting entity's submission system;
 - (cc) electronically match the reportable transactions from the daily reports referred to in points (aa) and (bb) above to verify the completeness of transactions reporting; and
 - (dd) create extractable daily reports referred to in points (aa), (bb) and (cc) above in Excel or text (semicolon delimited) format to be sent to FinSurv upon request.
- (i) The reporting entity must then generate the following reports and submit them to FinSurv's inspection team upon request:
 - (aa) a daily reconciliation report showing a schedule of all the reportable matched or reconciled cross-border transactions between the source (or accounting) system and the reporting entity's submission system; and
 - (bb) a daily reconciliation report showing a schedule of all the reportable cross-border transactions unmatched or unreconciled between the source system(s) and the reporting entity's submission system.
- (j) Once all the testing has been completed, the reporting entity must notify FinSurv's inspection team via a dedicated email address FNS-InfoFlow@resbank.co.za and include the file reference numbers of all the test transactions submitted to the SARB.
- (k) FinSurv's inspection team will notify the reporting entity should further testing be required.

6.2.3 Pre-certification system governance document requirements

- (i) The reporting entity must submit the following system governance documents to the FinSurv inspection team upon request, before scheduling the system walkthrough demonstration:
 - (a) a signed copy of the pre-certification managerial letter of comfort, to provide the reporting entity's self-attestation that it has ensured compliance with all the FinSurv requirements and that they are ready to conduct a live system walkthrough demonstration with the FinSurv inspection team. For sake of completeness regarding the

minimum information to be covered in this self-attestation letter, please refer to the template in Annexure B.1. Also, refer to section J.(J)(ii) of the Authorised Dealer Manual or section C.1(C)(ii) of the ADLA Manual; and

- (b) an updated inspection manual providing a comprehensive overview of the reporting entity's current IT landscape showing their cross-border transactional logical flow through its sources system(s) and reporting system landscape, their cross-border function and organisational structure, etc. Refer to section J.(J)(i) of the Authorised Dealer Manual or section C.1(C)(i) of the ADLA Manual.

6.2.4 System walkthrough inspection requirements

- (i) Once the reporting entity has completed all the system testing and submitted the required system governance documents, FinSurv's inspection team will schedule a live system walkthrough demonstration (i.e. either by onsite visit or virtually using Microsoft Teams software).
- (ii) During a live system walkthrough, the reporting entity will be requested to conduct a demonstration of its procedure to process the following types of cross-border transactions:
 - (a) an original transaction (OT);
 - (b) a cancelled transaction (CT); and
 - (c) a reversal transaction.
- (iii) The reporting entity will be requested to pursue a sample of original transactions (OT) from their source systems through to their reporting system while demonstrating the following business procedures of the cross-border transacting:
 - (a) the new customer onboarding process;
 - (b) existing customer information maintenance on the reporting entity's centralised customer profile database;
 - (c) the capturing of a new cross-border transaction on the reporting entity's transactional (or front-end) system, using a sample of its approved balance-of-payment categories, as requested by the FinSurv inspection team. The reporting entity will also be requested to:
 - (aa) provide a complete list of all the key mandatory fields required to be captured on the system. The reporting entity may be asked to send this list of mandatory fields to the inspection team;
 - (bb) explain and/or demonstrate how the transactional (or front-end) system performs limit checking in line with its approval granted. The reporting entity will also have to explain the

business process controls used to monitor and rectify any limit checking violations identified;

- (cc) explain and/or demonstrate how reportable and non-reportable cross-border transactions are determined in the transactional (or front-end) system;
 - (dd) explain and/or demonstrate its cross-border transactions sanction-screening procedure; and
 - (ee) explain and/or demonstrate how the cross-border transactions are routed to its payment instruction system (e.g. SWIFT) to initiate a payment settlement;
- (d) the flow of cross-border transactions from the transactional (or front-end) system to the accounting system using the transactions captured on the previous day, to understand how transactions are settled. During this demonstration, the following will be requested from the reporting entity:
- (aa) provide the FinSurv inspection team with underlying documentation (e.g. invoices or SWIFT statements) which can be compared to the entries in the source (or accounting) system; and
 - (bb) provide an extract from the data reports generated by the source (or accounting) system, with a sample of the cross-border transactions processed; and
- (e) the same source cross-border reporting on the reporting entity's submission system. The reporting entity will also be requested to demonstrate the following:
- (aa) receipt of cross-border data files from its source (or accounting) system, with all the validations performed before the transactions, are submitted to the SARB;
 - (bb) how the cross-border transactions are submitted to the SARB for reporting purposes; and
 - (cc) how it reviews and amends the errors reported by the SARB and/or the rejections received from the file submissions.
- (iv) The reporting entity will be required to demonstrate its cancellation procedure for transactions already reported to the SARB. This will be performed by recalling an OT and then cancelling it, as per the procedure prescribed by FinSurv.
- (v) The reporting entity will be requested to replace the cancelled transaction with a new one, following the replacement procedure prescribed by FinSurv.

- (vi) The reporting entity will be required to demonstrate the functioning of its reconciliation module, as prescribed in section J.(I) of the Authorised Dealer Manual and section C.1(I) of the ADLA Manual.
- (vii) The reporting entity may use the inspection checklist in Annexure A of this document as preparation for its readiness for a system walkthrough with FinSurv's inspection team.

6.2.5 Post-certification system governance document requirements

- (i) Once a system certification has been concluded successfully and final approval has been obtained from FinSurv, the reporting entity is permitted to activate their reporting system's production link to the SARB production for daily reporting of their cross-border transactions to the SARB. It is only then that the reporting entity is allowed to commence with its approved cross-border business operations.
- (ii) Once the reporting entity has started reporting its cross-border transactions to the SARB in production, they are required to monitor their reporting process for at least four to six weeks to ensure system stability.
- (iii) Once satisfied that there are no major issues experienced, the reporting entity must submit a post-certification managerial letter of comfort within six weeks from the date on which its reporting system went 'live' (i.e. from the activation of its production link to the SARB).
- (iv) Refer to Annexure B.1 in this document, for a template of a post-certification managerial letter of comfort for guidance on the contents of such a letter. Also, refer to section J.(J)(ii) of the Authorised Dealer Manual or section C.1(C)(ii) of the ADLA Manual.

Annexure A: Inspection checklist

Reporting system certification and inspection objective

The objective of the certification system walkthrough inspection is to verify the integrity of the reporting entity's cross-border transactions reporting to the South African Reserve Bank (SARB).

Certification and inspection scope

- The reporting entity is required to conduct a live system walkthrough with the Financial Surveillance Department (FinSurv) of the SARB to demonstrate the functioning of its controls implemented in the following reporting system components:
 - (i) a central customer profile database;
 - (ii) a transactional (or front-end) system;
 - (iii) a source (or accounting) system;
 - (iv) a financial surveillance reporting (or submission) system; and
 - (v) the reconciliation module.
- The checklist below can be used to confirm that the reporting entity has implemented all the key minimum reporting system controls in each of the reporting system components, as required by FinSurv, to comply with the same-source reporting principle.

Reporting system component	Financial Surveillance Department requirements	Compliant (Y/N)	Reason for non-compliance
A. Customer profile database	(a) There is a single centralised customer profile database (or system), which has an automated system interfacing with all the other reporting system components.		
	(b) Dual validation (or the four-eye principle) has been implemented to ensure the integrity of customer details during a new customer onboarding and/or an existing customer maintenance procedure. In instances of a fully automated process, there are controls in place to ensure completeness, accuracy and validity of data captured.		
	(c) New customers are automatically assigned unique customer profile numbers.		
	(d) There are system controls in place to perform duplication checks when a new customer is onboarded.		
	(e) New customer information gets automatically updated, either in real-time or through batch overnight processing, to the centralised customer profile database upon completion.		
B. Transactional (front-end) system	(a) The transactional (or front-end) system automatically extracts relevant customer information from the reporting entity's centralised customer profile database upon the capturing of a new cross-border transaction.		
	(b) There is an integrated form available, either in electronic or in hard-copy format, for customers to complete and sign when concluding cross-border transactions. (aa) This integrated form contains all the declarations specified in the Business and Technical Specifications document, the Operations Manual, the Authorised Dealer Manual or the ADLA Manual and.		
	(c) The transactional (or front-end) system has all the key mandatory fields and data input validation controls.		
	(d) Cross-border transactions are automatically classified as either reportable or non-reportable.		

Reporting system component	Financial Surveillance Department requirements	Compliant (Y/N)	Reason for non-compliance
	(e) The transactional (or front-end) system performs cross-border transactional limit checks, as per FinSurv’s requirements, before transactions can be concluded.		
	(f) The transactional (or front-end) system automatically routes all cross-border transactions to the sanction-screening application before transactions can be concluded.		
	(g) The transactional (or front-end) system is linked to the payment instruction application and automatically prepopulates the payment details for a transaction settlement.		
C. Accounting (ledger) system	(a) All account types (e.g. Nostro, Vostro, customer foreign currency, resident foreign currency account, non-resident foreign currency account, NON-RESIDENT RANDaccount, etc.) are correctly assigned to customers based on their resident status (i.e. resident or non-resident).		
	(b) The accounting (or ledger) system is linked to the transactional (or front-end) system, and all cross-border transactions are automatically transferred between these systems, either in real-time or as a scheduled end-of-day batch-job file transfer.		
	(c) The accounting (or ledger) system can generate daily reports of reportable cross-border transactions.		
D. Reporting system	(a) The reporting system is linked to the accounting (or ledger) system, as far as possible, to ensure automated transfer of cross-border data files through this interface following straight-through processing.		
	(b) The reporting system is the SARB reporting system via the SARBDEX II gateway, and there is an automated transfer of cross-border data files through this interface for same-source reporting.		
	(c) The reporting system has validation rules, as per section D1. of the Business and Technical Specifications document, to verify transactions before submission to the SARB.		

Reporting system component	Financial Surveillance Department requirements	Compliant (Y/N)	Reason for non-compliance
	(d) The reporting system can generate error logs, as per section E1. of the Business and Technical Specifications document, to identify validation rules violations.		
	(e) The reporting system can submit transactional data files in a prescribed format and receive acknowledgement feedback for files submitted and rejections from the SARB.		
	(f) The reporting system can generate daily reports of all the reportable cross-border transactions, as prescribed in section J of the Authorised Dealer Manual and section C.1. of the ADLA Manual.		
	(g) There is a prescribed procedure to rectify errors and rejection from the SARB, in compliance with FinSurv requirements.		
E. Reconciliation module	(a) There is an electronic or automated reconciliation module that makes use of straight-through processing to extract cross-border data files directly from the reporting entity's source (or accounting) system and financial surveillance reporting (or submission) system.		
	(b) The reconciliation module electronically matches all reportable transactions from the daily reports as follows: (aa) the source (or accounting) system data vs the financial surveillance reporting (or submission) system data received; and (bb) the financial surveillance reporting (or submission) system data received vs SARB file submission confirmed.		
	(c) The reconciliation module can generate the following report extracts: (aa) a daily report from the reporting entity's source systems of all the reportable transactions, non-reportable transactions and interbank transactions; (bb) a daily report of all the reportable transactions reported to the SARB via the reporting entity's reporting (or submission) system; and (cc) a daily report of all the transactions not matched between the source (or accounting system) and the reporting entity's reporting (or submission) system.		

Annexure B: Managerial letters of comfort

- B.1: Pre-certification managerial letter of comfort template, also refer to section J.(J)(ii) of the Authorised Dealer Manual and section C.1(C)(ii) of the ADLA Manual

Letterhead
(Specimen – Qualify or alter wording of comfort where applicable)

Date

The Head: Financial Surveillance Department
South African Reserve Bank
P.O. Box 3125
PRETORIA
0001

Dear Sir,

Pre-certification Managerial Letter of Comfort

I refer to your letter dated **** when our Bank was appointed as an Authorised Dealer in Foreign Exchange, *inter alia* subject to the successful implementation of the FinSurv Reporting System in compliance with the requirements outlined in Section C.1(H) of the Currency and Exchange Manual for ADLA's.

Following comprehensive internal testing as well as informal and formal transaction submission to your Development database through your SARBDex II gateway, I confirm that our FinSurv Reporting System and Reconciliation Module complies with your above requirements in a test environment.

Yours faithfully

Name (signed)
Designation

- B.2: Post-certification managerial letter of comfort template, also refer to section J.(J)(ii) of the Authorised Dealer Manual and section C.1(C)(ii) of the ADLA Manual

1

Bank/Bureau Letterhead
(Specimen – Qualify or alter wording of comfort where applicable)

Date

The Head: Financial Surveillance Department
South African Reserve Bank
P.O. Box 3125
PRETORIA
0001

Dear Sir,

Post-certification Managerial Letter of Comfort

Following the implementation of the Finsurv Reporting System and Reconciliation Module in a live environment on *, I confirm that all cross-border transactions passed through our accounts administration were duly reported in terms of Section J. of the Currency and Exchange Manual.

We, furthermore, confirm that sound communication structures remained in place between the various governance functionaries concerned and that no medium and high risk events were identified since the implementation of our Reporting System and Reconciliation Module.

Yours faithfully

*

B.3: Annual managerial letter of comfort template, also refer to section J.(J)(iii) of the Authorised Dealer Manual and section C.1(C)(iii) of the ADLA Manual

<p style="text-align: center;">1</p> <p style="text-align: center;">Letterhead (Specimen – Qualify or alter wording of comfort where applicable)</p> <p>*Date</p> <p>The Head: Financial Surveillance Department South African Reserve Bank P.O. Box 3125 Pretoria 0001</p> <p>Dear Sir</p> <p>Annual Managerial Letter of Comfort in respect of the period from * to *</p> <p>I refer to your letter dated * in regard to the governance of our Cross-Border Foreign Exchange Transaction Reporting System (Reporting System) and Reconciliation Module and in respect of the period under review, confirm that all cross-border foreign exchange transactions were automatically transmitted from our front-end systems and/or source system into our reporting system using the straight through processing principle. Customer information from our centralised customer database was automatically pre-populated and other required details pertinent to individual transactions were manually captured. Furthermore, transactions were enriched as far as possible before their straight through flow into our internal Reporting System in terms of the "same source principle".</p> <p>The status of transactions were changed or split into sequences by operational staff and/or the Reporting System Administration only in terms of duly documented authorisations. All applicable automated system reports were generated and duly signed off by the various levels of authorisation.</p> <p>Transactions from our Source Systems and the Reporting System were independently drawn into the Reconciliation Module, which performed a balancing procedure to ensure that all cross-border transactions were duly accounted for, either as reportable or non-reportable, where after the reportable transactions were reported to the SARB</p>	<p>Cross-Border Foreign Exchange Transaction Database via the SARBDEX System with due adherence to all systems protocols and confirmations.</p> <p>We, furthermore, confirm that sound communication structures remained in place between the various governance functionaries concerned during the period under review and that no medium and high risk events affecting our Reporting System and Reconciliation Module were identified.</p> <p>We also confirm that adequate back-up procedures were maintained in respect of our Reporting System and Reconciliation Module during the period under review and that the Inspection Manual reflects the current control environment.</p> <p>Inspection Reports were pursued to ensure compliance/finalisation.</p> <p>It follows that all reportable cross-border transactions passed through our accounts administration were duly reported in terms of Section J. of the Currency and Exchanges Manual for Authorised Dealers (or) Section C.1 of the Currency and Exchange Manual for Authorised Dealers with limited authority. *use the manual applicable.</p> <p>Yours faithfully</p> <p>Head: Compliance</p>
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