

**SOUTH AFRICAN RESERVE BANK
NOTICE XX OF 2025**

BANKS ACT, 1990 (ACT NO. 94 OF 1990)

Designation by the Prudential Authority of specific activities conducted in the national payment system which shall be deemed not to constitute ‘the business of a bank’ under paragraph (cc) in section 1(1) of the Banks Act, 1990 (Act No. 94 of 1990)

The Prudential Authority hereby designates with the approval of the Minister of Finance, under the definition of ‘the business of a bank’ in section 1(1), paragraph (cc) of the Banks Act, 1990 (Act No. 94 of 1990) that specific payment activities in the national payment system, as set out in paragraph 2 of this Exemption Notice, shall be deemed not to constitute the business of a bank, subject to the conditions set out in paragraph 4 of this Exemption Notice.

This Exemption Notice comes into effect on a date determined by the Reserve Bank as the implementation date of the regulatory framework set out in paragraph 4.1.1(c) (the effective date).

Fundi Tshazibana

Chief Executive Officer: Prudential Authority

Date: XX

SCHEDULE

1. **Definitions**

In this schedule the words listed in this paragraph 1 shall have the following meaning:

'Banks Act' means the Banks Act, 1990 (Act No. 94 of 1990), as amended and the Regulations relating to Banks.

'Closed-loop payment system or payment activity' means a payment system or payment activity that is not interoperable with other payment systems, and the payment service provider is the same entity or part of the same group as the payment service provider of the payee, with transactions limited to a specific network or ecosystem.

'Exemption Notice' this exemption notice is more fully described in paragraph 2 below.

'Exempted payment activities' means payment activities defined in paragraph 2 of this Exemption Notice that involve the pooling of funds from the public in a store of value or payment account to facilitate the transfer of funds or to enable the making or receipt of payments that are concluded in accordance with the conditions specified in this Exemption Notice.

'Financial Sector Regulation Act' means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), as amended.

'Interoperable' means the technical or legal compatibility that enables a system or mechanism to be used in conjunction with other systems or mechanisms. Interoperability allows participants within different systems to clear and settle payments or financial transactions across systems without participating in multiple systems.

‘National Payment System Act’ means the National Payment System Act, 1998 (Act No. 78 of 1998), as amended.

‘Open-loop payment system’ means payment systems that are operated by multiple payment service providers and intermediaries that provide interoperable payment products and services by enabling end users to make payments at participating merchants that accept payment instruments.

‘Payee’ means a natural or juristic person who is the intended recipient of funds which have been the subject of a payment instruction.

‘Payer’ means a natural or legal person who holds a payment account and allows a payment instruction from that payment account, or, where there is no payment account, a natural or legal person who gives a payment instruction.

‘Payment account’ means an account that is used for the transfer of funds, or making or receiving a payment. It includes the categories of accounts that are described in sub-categories of the activity of “provision of payment account or store of value” in paragraph 2 of this Exemption Notice.

‘Payment activity’ means any activity in the NPS that involves the use of payment instruments, services and systems. This includes executing a payment instruction from pooled funds from the public in a store of value or payment account to facilitate the transfer of funds or to enable the making or receiving of payments, as listed in paragraph 2 of this Exemption Notice.

‘Payment instruction’ means an instruction by a payer or a payee to their respective payment institution requesting the execution of a payment.

‘Payment instrument’ means a tool or a set of procedures enabling the transfer of funds from a payer to a payee, or making or receiving a payment.

‘Prudential Authority’ means the Authority established in terms of section 32 of the Financial Sector Regulation Act.

'Reserve Bank' means the South African Reserve Bank.

2. Payment activities

2.1 For purposes of this Exemption Notice, payment activities include the following when conducted as a regular feature of business:

No.	Payment activity	Definition and description
1.	Acquiring of payment transactions	Contracting with a payee to accept and process payment transactions which result in a transfer of funds to the payee.
2.	Card credit payment instruction	A payment instruction resulting in the credit of funds to an account linked to a card.
3.	Execution of payment transactions	Execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or another payment service provider. It includes the following subcategories: <ul style="list-style-type: none">• Execution of debit orders, including once-off direct debits and authenticated collections.• Execution of payment transactions through a payment card or similar device. Execution of credit transfers, including standing orders.
4.	Electronic money	Electronically stored monetary value issued on receipt of funds and represented by a claim on the issuer, which is generally accepted as a means of payment by persons other than the issuer and is redeemable for physical cash or a deposit into a payment account on demand. This includes mobile money where an electronic wallet service allows users to store, send and receive money using their mobile phone.
5.	Faster payments	Providing an electronic service in which both the transmission of the payment message and the availability of funds to the payee occur in real time or near-real time, on a basis that the service is available 24 hours a day and 7 days a week.
6.	Issuing of payment instruments	Contracting with a payer to provide a payment instrument to initiate payment instruction.
7.	Money remittance	A service for the transmission of funds (or any representation of monetary value), with or without any payment accounts being created in the name of the payer or the payee, where— (a) funds are received from a payer for the sole purpose of transferring a corresponding amount to

		<p>a payee or to another payment institution acting on behalf of the payee; or</p> <p>(b) funds are received on behalf of, and made available to, the payee.</p> <p>It includes the following subcategories:</p> <ul style="list-style-type: none"> • Cash-in, cash-out account service, based on a contractual relationship. • Cash-in, cash-out account service involving a single instruction or transaction.
8.	Provision of payment account or store of value	<p>Providing an account or store of value held in the name of one or more payer or payee which is used for the execution of payment transactions. It includes the following subcategories:</p> <ul style="list-style-type: none"> • Payment account type A – an account provided by an entity that accepts deposits as defined in section 1(1) of the Banks Act and referred to in section 2(1)(e) of the Financial Sector Regulation Act. • Payment account type B – an account provided by an entity that provides credit as defined in section 1(1) of the Financial Sector Regulation Act and Section 1 of the National Credit Act 4 of 2005, or with a facility to provide credit. • Payment account type C – an e-money account not linked to bank account or credit line.

3. Exemption

3.1 The Prudential Authority hereby exempts the payment activities defined in paragraph 2 above which involve the pooling of funds into a store of value or payment account by a person other than a bank for the purpose of conducting payment activities, from the definition of ‘the business of a bank’ as outlined in the Banks Act, subject to the conditions specified in paragraph 4 below.

4. Conditions

4.1 The exemption of the pooling of funds into a store of value or payment account for the purpose of conducting payment activities, as provided for in paragraph 2 above, by any person other than a bank (exempted payment activity) is subject to the following conditions:

4.1.1 the Reserve Bank shall:

- a. allow the exempted payment activity to be conducted either in the closed-loop or open-loop payment systems as prescribed below;
- b. regulate, supervise and oversee the exempted payment activity and persons conducting it in terms of the National Payment System Act and other applicable legislation;
- c. require that, where necessary or as per the National Payment System Act, the exempted payment activity be integrated into an existing payment clearing house (PCH) or, in the absence of a suitable PCH, that a new PCH be established prior to such exempted payment activity being conducted in the open-loop payment systems;
- d. develop and implement the appropriate licensing/authorisation, regulatory, supervisory, exit and oversight framework (regulatory framework) for the exempted payment activity, and persons conducting it, including the prudential framework and adequate safeguards for customer funds, after consultation with the Prudential Authority;
- e. require persons conducting the exempted payment activity in the open-loop payment system to comply with the National Payment System Act and directives and notices issued under it, applicable clearing rules, agreements, regulatory frameworks, policies and entry, exit and participation requirements issued by the Reserve Bank, payment system management body, including applicable rules, agreements, and requirements of schemes, PCH system operators and settlement system operators;
- f. at all times require the payment instructions and transactions relating to the exempted payment activity to be cleared and settled within and in accordance with the clearing and settlement requirements and timelines as provided for in the National Payment System Act and directives, PCH agreements, settlement agreements, clearing and settlement rules, clearing and settlement operational procedures or relevant instrument/s issued by the payment system management body (PSMB), the PCH system operators and operators of settlement systems, as the case may be; and
- g. develop and impose new and/or apply existing open-loop payment, scheme, clearing and settlement systems entry and participation, and designation requirements to any person providing the exempted payment activity.

4.1.2 any person other than a bank proposing/wishing to conduct an exempted payment activity after the effective date of this Exemption Notice, be required to partner with a bank to provide or conduct such exempted payment activity, unless the person that is not a bank is authorised or approved in terms of this Exemption Notice and the regulatory framework;

- 4.1.3 limit the exempted payment activity to payment purposes only and prohibit the issuance of loans, investments, accrual and application of interest earned in respect of the exempted payment activity. Any interest earned in a store of value or payment account shall be applied as directed by the Reserve Bank;
- 4.1.4 develop and impose requirements for the redemption of the funds pooled in a store of value or payment account, and specify a period after which such funds may be classified as unclaimed funds requiring reversal to the payer, or relinquishment shall be executed as determined by the Reserve Bank; and
- 4.1.5 prohibit a person other than a bank from conducting the exempted payment activity:
- a. in the closed-loop payment system without partnering with a bank or without the prior written approval of and registration with the Reserve Bank subject to any conditions and requirements that the Reserve Bank may impose; or
 - b. in the open-loop payment system unless that a person other than a bank:
 - i. complies with the regulatory framework set by the Reserve Bank for the exempted payment activity;
 - ii. is designated as a clearing system participant by the Reserve Bank as prescribed in the National Payment System Act;
 - iii. is authorised by a PSMB as a member of the payment system management body as prescribed in the National Payment System Act,
 - iv. is admitted to the relevant PCH or scheme(s); and
 - v. is admitted as a participant to the relevant PCH system operator(s) and/or settlement system(s).

5 Amendment and withdrawal of Exemption

- 5.1 The Prudential Authority may amend or withdraw this Exemption Notice by notice published on the website of the Prudential Authority.

6 Short title and commencement

- 6.1 This Exemption Notice is called the “Exemption notice for payment activities in the national payment system” and comes into operation on the effective date.

Fundi Tshazibana

Deputy Governor and Chief Executive Officer: Prudential Authority

Date: XX