

SOUTH AFRICAN RESERVE BANK

NO. 5549

15 November 2024



SOUTH AFRICAN RESERVE BANK

DESIGNATION NOTICE

Designation of Payfast (Pty) Ltd (registration number 1999/017441/07) as a clearing system participant by the Governor of the South African Reserve Bank in terms of section 6(3)(a) of the National Payment System Act, 1998 (Act No. 78 of 1998), as amended:

1. Introduction

1.1 The South African Reserve Bank (SARB) is empowered to designate a clearing system participant in terms of section 6(3)(a) of the National Payment System Act, 1998 (Act No. 78 of 1998) (NPS Act), as amended. Such designation may be made if the designation is in the interest of the integrity, effectiveness, efficiency or safety of the national payment system (NPS).

1.2 The objective of this Designation Notice is to designate Payfast (Pty) Ltd (Payfast) as a clearing system participant in the NPS. The designation will enable Payfast to clear in the manner contemplated in section 4(2)(d)(i) of the NPS Act.

2. Background of the designated clearing system participant

2.1 Paygate (Pty) Ltd (Paygate) was founded in 1999 and it was acquired by the Direct Pay Online (DPO) Group in 2016 through a private equity investment. Following this acquisition, a series of strategic acquisitions ensued, including Virtual Card Services, Paythru SA, Setcom (Pty) Ltd and,

ultimately, Payfast in 2019. These acquisitions collectively formed the DPO Group, a diversified family of companies in the payment services sector.

- 2.2 In 2021, Network International PLC (Network International) completed a full acquisition of the DPO Group, including all its affiliated companies. Effective 1 April 2023, four South African legal entities previously owned by 3G Direct Pay South Africa (Pty) Ltd, namely Setcom (Pty) Ltd, Payfast, Payfast Holdings (Pty) Ltd and Paygate, were consolidated under the ownership of Network International. This unified entity was rebranded as Payfast (Pty) Ltd with registration number 1999/017441/07. This consolidation encompassed the amalgamation of all employees, banking facilities, merchants and intellectual property into this single entity.
- 2.3 Payfast provides services to micro, small and medium enterprise (MSME), merchants through a single, streamlined entry point. Merchants can easily integrate their e-commerce platforms through a direct Application Programming Interface connection or by using one of over 80 integrated shopping cart platforms. As a payment facilitator, Payfast offers a plug-and-play solution customised to the specific needs of MSME merchants. This unified approach simplifies the payment process and makes it easier for businesses of different sizes to access these services.
- 2.4 Payfast applied to become a designated clearing system participant to expand its current offering to merchants through acquiring payment instructions for card transactions. In acquiring payment instructions for card transactions, Payfast will introduce a physical point-of-sale solution that aligns with its vision to offer an all-encompassing payment ecosystem. Payfast aims to bridge the gap between online and offline transactions and enhance convenience for businesses and consumers.
- 2.5 Payfast is currently a third-party payment provider (TPPP) and a system operator registered with the Payments Association of South Africa.

3. Designation

3.1 The SARB considered the provisions of the NPS Act and has deemed it to be in the interest of the safety, efficiency, integrity and effectiveness of the NPS to designate Payfast as a clearing system participant.

3.2 Therefore, I, Mr E L Kganyago, the Governor of the SARB, with effect from the date of publication in the *Government Gazette*, hereby:

3.2.1 designate Payfast as a clearing system participant in terms of sections 6(3)(a) of the NPS Act, subject to the conditions listed in paragraph 4; and

3.2.2 confirm, in terms of section 6(3)(a)(ii) of the NPS Act, that the SARB settlement system participant associated with Payfast is Absa Bank Limited (Absa).

4. Conditions

4.1 The aforementioned designation is subject to Payfast adhering to the following conditions. Payfast must, within the time frames to be determined by the SARB:

4.1.1 be a member of Visa and/or Mastercard;

4.1.2 conclude service agreements with the relevant payment clearing house (PCH) system operators through which clearing will be effected;

4.1.3 comply with the entry and participation criteria to become a member of the Payment System Management Body (PSMB), as referred to in section 3 of the NPS Act, and the relevant structures of the PSMB as well as with any other criteria set by the PSMB for clearing system participants;

- 4.1.4 enter into a mentorship agreement with Absa and comply with any other requirements set by the PSMB and Absa for mentorship;
- 4.1.5 enter into a sponsorship agreement with Absa as the SARB settlement system participant associated with Payfast, in terms of which Absa will settle payment obligations on behalf of Payfast, and comply with any other requirements set by the PSMB and/or Absa for sponsorship;
- 4.1.6 participate in the Debit Card, Credit Card, American Express Card, Diners Club Card and Fleet Card PCHs as an acquirer, subject to the relevant PCH agreements and clearing rules, and adhere to the interchange rates applicable to cards as determined by the SARB;
- 4.1.7 obtain written approval from Absa and the SARB, which shall not be unreasonably withheld, prior to participating in a PCH that is not set out in paragraph 4.1.6 above as an acquirer and follow the normal process for participation in a PCH, provided that written approval is granted;
- 4.1.8 not issue payment instruments, including the origination of credit card push instruction transactions, or sponsor or clear on behalf of any third parties in any PCH without the prior written approval of the SARB and Absa;
- 4.1.9 comply with applicable requirements as well as any other criteria agreed to between Payfast and Absa, and as specified in the mentorship and sponsorship agreements concluded between said parties;
- 4.1.10 terminate participation in a PCH subject to the process for termination determined by the PSMB and prior written notice given to Absa and the SARB, if and when applicable; and
- 4.1.11 continue to be registered and provide services as a TPPP in terms of the Directive for Conduct within the National Payment System in respect of Payments to Third Persons (Directive 1 of 2007) whilst designated as a clearing system participant.

- 4.2. The conditions listed above apply exclusively for the designation of Payfast as a clearing system participant. The conditions may be varied or revoked and new conditions may be imposed by the SARB by way of a notice in the *Government Gazette*.

Signed at Pretoria on this 23rd day of October 2024.

Lesetja Kganyago

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Mr E L Kganyago
Governor
South African Reserve Bank