



# PAYMENT SYSTEM FINANCIAL MARKET INFRASTRUCTURE OVERSIGHT PROCESS



SOUTH AFRICAN RESERVE BANK






## BACKGROUND

The South African Reserve Bank (SARB) embraced and adopted the Principles for Financial Market Infrastructures (collectively referred to as the 'PFMI' and each principle referred to as a 'Principle') issued by the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO) in a publication titled *Principles for financial market infrastructures* published in April 2012.

The National Payment System Department (NPSD) of the SARB requires recognised systemically important payment system (PS) financial market infrastructures (FMI) to observe the PFMI. The recognised PS FMIs are outlined in Position Paper 01/2018.

As the overseer and supervisor of the national payment system (NPS), the Oversight and Supervision Division (OSD) of the NPSD is also responsible for overseeing, supervising and assessing the PS FMIs' observance to the PFMI.

## PROCESS FOR PS FMIs

 <b>WHO</b>	 <b>WHAT</b>	 <b>WHY</b>	 <b>HOW</b>	 <b>WHEN</b>
<p>SARB for the South African Multiple Option Settlement (SAMOS) system that it operates.</p>	<p>PS FMIs conduct self-assessments against the PFMI and formally provide the OSD with these self-assessments.</p>	<p>To ensure adherence to the PFMI.</p>	<p>PS FMIs conduct a self-assessment against the PFMI.</p>	<p>Every two years or when material changes take place at the PS FMI, or on the systems it operates, or at the request of the OSD.</p>
<p>BankservAfrica (Pty) Limited (for the retail payment systems for retail transactions) that it operates.</p>	<p>PS FMIs publish disclosure frameworks on their respective websites, as prescribed in the CPMI-IOSCO <i>Disclosure framework and assessment methodology</i>.</p>		<p>PS FMIs answer all key considerations comprehensively.</p>	<p>PS FMIs must send the self-assessment formally to the OSD.</p>
<p>Strate (Pty) Limited (for the large-value payment system for equities, bonds and money market transactions) that it operates.</p>			<p>PS FMIs ensure that the numbering in the self-assessment corresponds to the PFMI.</p>	
<p>SARB for the Southern African Development Community (SADC) real-time gross settlement (RTGS) system that it operates.</p>				

*\*If the PS FMI does not provide the required self-assessment, letters, information or documentation by the date requested by the OSD, the failure to meet the request is escalated to the PS FMI's Executive or other relevant governance authority as determined by the OSD.*



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## PROCESS FOR OSD

The assessment process can follow a self-assessment review process, a partial assessment process or a full assessment process.



### SELF-ASSESSMENT REVIEW PROCESS

OSD conducts a desk-top review of the PS FMI's self- assessment.

OSD requests additional information from the PS FMI if required (e.g., via email).

OSD compiles an assessment report and shares such with the PS FMI for further action.

Implementation of the recommendations, as included in the assessment report, is tracked by the OSD in quarterly sessions with the PS FMI.



### PARTIAL ASSESSMENT PROCESS

OSD conducts a desk-top review of the PS FMIs self- assessment.

OSD conducts face-to-face engagement sessions with the PS FMI and/or its relevant stakeholders.

OSD requests additional information from the PS FMI if required (e.g., via email).

OSD compiles an assessment report and shares such with the PS FMI for further action.

Implementation of the recommendations, as included in the assessment report, is tracked by the OSD in quarterly sessions with the PS FMI and in a Recommendations Implementation Tracker spreadsheet.

Recommendations are only closed as 'implemented' if formal correspondence is sent by the PS FMI to the OSD providing proof, and the OSD agrees that the recommendation has been met.



### FULL ASSESSMENT PROCESS

OSD conducts a desk-top review of the PS FMIs self- assessment.

OSD conducts face-to-face engagement sessions with the PS FMI and/or its relevant stakeholders.

OSD requests additional information from the PS FMI if required (e.g., via email).

OSD compiles an assessment report and shares such with the PS FMI for further action.

Implementation of the recommendations, as included in the assessment report, is tracked by the OSD in quarterly sessions with the PS FMI and in a Recommendations Implementation Tracker spreadsheet.

Recommendations are only closed as 'implemented' if formal correspondence is sent by the PS FMI to the OSD providing proof, and the OSD agrees that the recommendation has been met.

### CONTINUAL CARE

The relationship between the OSD and the PS FMIs is important for ensuring the safety and efficiency of the NPS.

In this regard, the OSD holds quarterly sessions with the PS FMIs to ensure that it stays abreast with what is happening within the PS FMIs and that the PS FMIs have a forum through which to engage with the overseer.

The OSD schedules the quarterly sessions with the PS FMI, which is then expected to delegate the sessions to relevant people within its organisation.

The PS FMI compiles an agenda for each quarterly session and circulates it to all invitees prior to the session.

The PS FMI facilitates and minutes the sessions.

The PS FMI circulates the minutes of the sessions to all attendees.