



SOUTH AFRICAN RESERVE BANK

National Payment System Department

**08 October 2024**

## **Interchange Determination Project: Commencement of Interchange Determination Project Phase V**

### **1. Introduction**

The purpose of this communiqué is to advise that the South African Reserve Bank (SARB) has commenced with the Interchange Determination Project (IDP) Phase V.

### **2. Background**

The SARB was mandated to facilitate the process of determining interchange rates in the South African market following Recommendation 8 of the *Banking Enquiry Report* issued by the Competition Commission of South Africa in June 2008.

Before commencing with the IDP, the SARB conducted a feasibility study which became known as IDP Phase I. The feasibility study determined that interchange as a balancing mechanism is necessary to incentivise roll out of payment infrastructure and drive interoperability. The SARB then embarked on the IDP Phase II in 2011 to determine interchange rates for the different payment streams in the South African market. During Phase II, the rates for automated teller machine (ATM) transactions, cards and cash-back at point-of-sale transactions were determined and implemented.

Phase III of the IDP was launched in 2014 and related to the design and implementation of the Payment System Information Return (PAYIR) system. The

PAYIR system is used to collect data from the IDP participants such as banks and third-party ATM service providers, which data is used to calculate interchange rates. The interchange rates currently implemented are reviewed by the SARB on an annual basis and adjusted as and when necessary. Both historically implemented and subsequently adjusted interchange rates are published on the SARB's website.

To remain relevant and to align to the SARB's 'National Payment System Framework and Strategy: Vision 2025', the SARB launched IDP Phase IV in 2020 to review the entire interchange determination process. The output of IDP Phase IV was a report that provided recommendations on how to improve the interchange determination process, approach to review the current interchange methodologies, rate structures as well as rate calculations for all relevant payment streams and emerging payment methods including, but not limited to, quick response codes and tokenisation.

### **3. IDP Phase V scope and deliverables**

The SARB has now procured the services of Deloitte & Touche (Deloitte) to assist with the execution of IDP Phase V.

The IDP Phase V will focus on the execution of the recommendations emanating from the IDP Phase IV Report.

The project deliverables include, but are not limited to, the following:

- review and where relevant revise the interchange methodology, structure and rates for the current regulated payment streams;
- determine interchange methodology, structure and rates for the relevant additional payment streams; and
- upgrade and enhance the PAYIR system and associated additional reporting tools.

The project officially commenced on 27 August 2024 and is expected to be completed within 24 months.

#### **4. Guiding principles for IDP Phase V**

IDP Phase V would be underpinned by the following overarching principles of the national payment system (NPS):

- the promotion of the safety and efficiency of the NPS; and
- serving the interest of the NPS as a whole rather than that of individual stakeholders or stakeholder groupings.

#### **5. Stakeholder consultation**

The SARB will consult with all relevant stakeholders during the execution of IDP Phase V and encourages these stakeholders to actively participate in the project.

#### **6. Conclusion**

The SARB will ensure that the implementation of IDP Phase V deliverables remain pragmatic and sustainable in the interest of the NPS.

All queries in this regard may be forwarded to [nps-interchangedetermination@resbank.co.za](mailto:nps-interchangedetermination@resbank.co.za).