



SOUTH AFRICAN RESERVE BANK

National Payment System Department

Position paper on faster payments in South Africa

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1. Executive summary

- 1.1 The South African Reserve Bank (SARB) publishes position papers in order to state its position in respect of specific matters in the national payment system (NPS). These documents are normally related to approaches, procedures and policy matters which are applicable at a particular time. This paper outlines the position of the SARB on faster payments within the NPS.
- 1.2 In its endeavour to enhance the integrity and efficiency of the NPS as well as to support the National Payment System Framework and Strategy – Vision 2025 (Vision 2025) goals, such as cost-effectiveness, promoting competition and innovation, financial inclusion and interoperability, the SARB considers the implementation of faster payments, including faster payments products and services to be deserving of focus and necessary.
- 1.3 The SARB will, however, monitor developments and may review this position paper based on developments going forward.

2. Background

- 2.1 In terms of section 10(1)(c) of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act), the SARB is required to perform such functions, implement such rules and procedures and, in general, take such steps as may be necessary to establish, conduct, monitor, regulate and supervise payment, clearing or settlement systems. Furthermore, the National Payment System Act 78 of 1998 (NPS Act) provides for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in the Republic of South Africa, and for connected matters.
- 2.2 The NPS encompasses the entire payment process, from payer to beneficiary, and includes settlement between banks. The process includes all the tools, systems, instruments, mechanisms, institutions, agreements, procedures, rules

or laws applied or utilised to effect payment. The NPS is a primary component of the country's monetary and financial system as it enables the circulation of money and also assists transacting parties to make payments and exchange value.

- 2.3 In June 2020, the SARB issued a consultation paper titled 'Faster Payments in South Africa'. The consultation paper highlighted concerns in respect of the current faster payments system in South Africa, known as real-time clearing (RTC), and proposed measures and actions that would ensure the adoption and delivery of an appropriate future-proofed faster payments infrastructure in South Africa, to better serve the South African consumers (including individuals, businesses; small, medium and micro enterprises (SMMEs)) and the broader economy. Subsequent to that, this position paper outlines the stance of the SARB in respect of faster payments.

3. Definitions

- 3.1 **'Faster payments'** means a low value credit-push payment 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 (24/7).
- 3.2 **'Faster payments system'** means a system in which the transmission of the payment message and the availability of funds to the payee occur in real time or near-real time, on a 24/7 basis.
- 3.3 **'Faster payments services and products'** means services and products offered through the faster payments system.
- 3.4 **'Participants'** means clearing system participants initiating or receiving low value credit-push payments, such as electronic funds transfer (EFT) credit, RTC and card credit payment instructions.

4. The mandate of the SARB

- 4.1 The mandate of the SARB, through the National Payment System Department (NPSD), is to enhance the safety, efficiency and integrity of the NPS. In fulfilling this mandate, the SARB thus takes cognisance of new developments and their impact on the safety, efficiency and integrity of the NPS and, as far as possible, strives towards containing and minimising payment system-related risks. In terms of regulating, overseeing and supervising the NPS, the SARB acts in the interest of the NPS as a whole and not that of any individual stakeholder. As payment technologies are developing at an unprecedented pace, the SARB is cautious not to stifle innovation and strives to proactively support innovation through an appropriate regulatory framework.

5. The position of the SARB

- 5.1 Faster payments enhance the efficiency and integrity of the NPS and supports Vision 2025. Further, faster payments would contribute to the modernisation of the NPS and specifically contribute positively to the achievement of Vision 2025's goals, particularly those relating to cost-effectiveness, promoting competition and innovation, financial inclusion and interoperability.

Further, a faster payments infrastructure would contribute to the growth and adoption of digital payments in South Africa; support the offering of innovative products and services; and promote the integration of the current closed-loop offerings (e.g. wallets) into the faster payments' interoperable environment.

- 5.2 In addition to the various payment methods, it is critical for the South African consumer to have the option to choose faster payments as an alternative method of payment.

5.3 The SARB is, however, cognisant that faster payments may not satisfy the requirements for all electronic payments use cases. As a result, the SARB is of the view that faster payments services would co-exist with the EFT credit payments, card payments and other retail payment services providing options for transacting parties. In addition, the objective is not to substitute any payment system with faster payments, but to address the needs relating to faster payments use cases that are currently not adequately addressed by other payment systems, such as the need for instant transfer of value to enable immediate release of goods or provision of services.

5.4 The SARB supports the development, implementation and adoption of safe, reliable, stable and interoperable faster payment systems as well as the provision of faster payment services and products to consumers and businesses in South Africa. Thus, it is critical that participants and payment clearing house system operators initiate the following measures to ensure successful implementation of faster payment infrastructures that would meet relevant requirements.

5.4.1 Legal and regulatory

- a. Adhere to, and comply with, all applicable South African laws and regulations – this includes supporting regulatory objectives relating to safety, efficiency and integrity of the NPS, consumer protection, financial inclusion, competition and prevention of financial crime.

5.4.2 Back-end development and design

- a. Collaborate on the design, development and full implementation of faster payment system/s.
- b. Develop, implement and comply with faster payments clearing rules and related agreements.
- c. Adopt flexible and data-rich messaging standards.
- d. Meet a transaction conclusion speed of no more than 30 seconds for the payee to receive funds.

- e. All participants must also provide their customers with an option of an interoperable faster payment service.
- f. Brand the interoperable faster payments service appropriately to promote its adoption and ease of use by consumers of payment services.
- g. Facilitate availability of the service 24/7, including over weekends and public holidays.

5.4.3 Risk management

- a. Develop, implement and comply with risk management and appropriate dispute resolution frameworks.
- b. Develop and implement fraud management capabilities (including fraud detection and prevention mechanisms) to mitigate fraud risk across the faster payments value chain.
- c. Implement effective cybersecurity measures.
- d. Set appropriate value threshold/s to mitigate risk.
- e. Implement appropriate mechanisms that would enable the payer to verify the payee's details prior to initiating a payment.

5.4.4 Accessibility, trust, certainty, convenience and ease of use

- a. Adopt measures to attract low-value amounts similar to cash transactions.
- b. Educate and raise awareness among consumers.
- c. Entrench certainty on the conclusion of the transaction to the payer and beneficiary.
- d. Ensure that the pricing of the faster payments products and services are transparent, efficient and simple, and should take due cognisance of promoting adoption at launch.
- e. Make faster payments accessible through majority of channels provided by participants, including mobile phones/devices, online (internet-banking), quick response (QR) code and point of sale.
- f. Ensure that faster payments products and services are convenient and simple to understand and use.

- g. Make faster payments accessible to all consumer segments, including individuals, businesses and SMMEs receiving and making credit-push payments.
- h. Entrench the irrevocability principle in the faster payments offering.

5.5 Furthermore, to support faster payments initiatives and innovation in South Africa, the SARB will, as appropriate, facilitate the determination of interchange fees for faster payment services.

6. Conclusion

6.1 The SARB may, from time to time, review this paper to clarify its position on specific payment-related matters. Any enquiries or clarification concerning this position paper may be addressed to npsdirectives@resbank.co.za