

SOUTH AFRICAN RESERVE BANK**NO. 5655****13 December 2024****SOUTH AFRICAN RESERVE BANK****VARIATION NOTICE**

Variation by the Governor of the South African Reserve Bank in terms of section 6(3)(b) of the National Payment System Act 78 of 1998:

Variation of the conditions of the designation of Paycorp Group (Pty) Limited as a designated clearing system participant

1. Introduction

1.1. The South African Reserve Bank (SARB) is empowered to vary and revoke any designation of a clearing system participant in terms of the National Payment System Act 78 of 1998 (NPS Act), as amended. In terms of section 6(3)(b) of the NPS Act, the SARB may vary or revoke any designation by:

1.1.1 amending or revoking any condition to which the designation is subject; or

1.1.2 making the designation subject to a new condition(s).

1.2. Section 6(3)(c) of the NPS Act provides that, in determining whether or not to vary or revoke a designation, the SARB may have regard to any or all of the following:

1.2.1 any failure to comply with any condition to which the designation is subject;

1.2.2 whether or not the designated clearing system participant (DCSP) has knowingly furnished information or documents which are false or misleading in any material respect to the SARB in connection with the designation;

- 1.2.3 whether or not it is in the interest of the public to revoke the designation; and
- 1.2.4 any other matters that the SARB considers appropriate.

2. Background to the variation of the conditions of the designation

- 2.1. The SARB designated Paycorp Group (Pty) Limited (Paycorp) as a DCSP in terms of section 6(3)(a) of the NPS Act. The designation was published in *Regulation Gazette* No. 2199 of *Government Gazette* No. 46598 dated 24 June 2022 (Designation Notice).
- 2.2. The SARB received a letter dated 16 February 2024 wherein Paycorp sought to replace its current Reserve Bank settlement system participant, Sasfin Bank Limited (Sasfin), with African Bank Limited (African Bank).
- 2.3. During a meeting held in February 2024 between Paycorp and the SARB, Paycorp confirmed that it would implement a seamless migration process in the execution of the proposed change of its Reserve Bank settlement system participant.
- 2.4. In April 2024, the Payments Association of South Africa (PASA) confirmed having received African Bank's application for a waiver for non-compliance with meeting the following qualifying criteria outlined in section 5.3 of the *PASA Sponsorship Criteria within the national payment system*:
 - 2.4.1 *The Sponsoring Member must consistently have maintained a Participation Percentage within that Payment Clearing House (PCH) of more than 5% (five percent) from the inception of the PCH, if the PCH has not been in existence for 2 (two) years, or if the PCH has been in existence for 2 (two) years, for a period of 2 (two) years immediately prior to the date of it actually providing the Sponsoring Service or the date it envisages the provision of a Sponsoring Service; or*
 - 2.4.2 *The Sponsoring Member must consistently have been one of the top 5 (five)*

Members with the highest Throughput in terms of Value multiplied with the Throughput in terms of Volume in the PCH in question, from the inception of the PCH, if the PCH has not been in existence for 2 (two) years, or for a period of 2 (two) years immediately prior to the date of it actually providing the Sponsoring Service or the date it envisages the provision of a Sponsoring Service.

- 2.5. PASA advised the SARB that African Bank applied for a waiver. The waiver application was reviewed and supported by PASA based on the risk mitigation strategies put in place by African Bank. PASA subsequently sought the SARB's consideration of the waiver application. Following due consideration of the waiver application and all the relevant information, including engagements with relevant parties, the SARB granted its no-objection to the granting of the waiver.
- 2.6. The SARB further engaged with the Prudential Authority (PA) and the Domestic and Regional Settlement Services Division (DRSS) of the National Payment System Department (NPSD). During these engagements the following views were noted:
- 2.6.1 DRSS reviewed the risk assessment of African Bank and analysed African Bank's reporting from February 2023 to January 2024 in relation to settlement processing and the South African Multiple Option Settlement system compliance activities. The DRSS confirmed that there were no concerns regarding African Bank's liquidity for the provision of settlement sponsorship services to Paycorp as African Bank meets the necessary settlement requirements.
- 2.6.2 The PA had no objection to the waiver application.
- 2.7. Following the granting of the waiver, Paycorp submitted a request to the SARB for the variation of the current Designation Notice by replacing Sasfin with African Bank as the Reserve Bank settlement system participant for Paycorp. The SARB has considered the request and decided to vary the Designation Notice subject to the conditions specified in the Designation Notice and imposes additional conditions as outlined in paragraph 3.3 below.

3. Variation

3.1 The SARB has considered the request and deems it necessary to vary the conditions of Paycorp's designation as a DCSP as contained in the Designation Notice in the interest of the safety, integrity, effectiveness and efficiency of the national payment system.

3.2 Therefore, I, Mr E L Kganyago, Governor of the SARB, in terms of section 6(3)(b) of the NPS Act and with effect from the date of publication in the *Government Gazette*, hereby:

3.2.1 Vary the Designation Notice by replacing Sasfin in paragraph 3.2.2 of the Designation Notice as the Reserve Bank settlement system participant for Paycorp with African Bank, and all references to Sasfin in paragraph 4 of the Designation Notice with African Bank, subject to the conditions in the Designation Notice and the following additional conditions:

- a) All the conditions that were applicable to Sasfin under paragraph 4 of the Designation Notice shall remain unchanged and will from the effective date apply to African Bank;
- b) African Bank must regularly monitor the settlement values and volumes of Paycorp against the total settlement value and volumes for African Bank and report Paycorp's percentage of African Bank's total values to the NPSD of the SARB on an annual basis; and
- c) African Bank must furnish the NPSD of the SARB with a post-implementation annual report on its association with Paycorp and as the Reserve Bank settlement system participant for Paycorp, including any impact on its available liquidity.

3.3 The conditions listed under paragraph 4 of the Designation Notice and the conditions of this Variation Notice apply exclusively to the designation of

Paycorp and 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 31..... day of **October 2024**

Leserja Kganyago

.....

E L Kganyago

Governor