



**South African Reserve Bank**

**National Payment System Department**

**Information paper on the South African Reserve Bank  
National Payment System Department's commitment to the  
Principles for Financial Market Infrastructures in the  
National Payment System**

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## Contents

|                                                   |   |
|---------------------------------------------------|---|
| Executive summary                                 | 3 |
| 1. Background                                     | 4 |
| 2. Legal and regulatory framework                 | 5 |
| 3. Objective                                      | 5 |
| 4. Role of the National Payment System Department | 6 |
| 5. Position of the South African Reserve Bank     | 6 |
| 6. Conclusion                                     | 7 |
| 7. Queries and contact details                    | 7 |

## Abbreviations

|        |                                                              |
|--------|--------------------------------------------------------------|
| BIS    | Bank for International Settlements                           |
| CCP    | central counterparty                                         |
| CLS    | Continuous Linked Settlement                                 |
| CPSIPS | “Core Principles for Systemically Important Payment Systems” |
| CPSS   | Committee on Payment and Settlement Systems                  |
| CSD    | central securities depository                                |
| FMI    | financial market infrastructure                              |
| IOSCO  | International Organisation of Securities Commissions         |
| NPS    | national payment system                                      |
| NPSD   | National Payment System Department                           |
| PFMIs  | Principles for Financial Market Infrastructures              |
| PS     | payment system                                               |
| RTGS   | Real-Time Gross Settlement [System]                          |
| SAMOS  | South African Multiple Option Settlement [System]            |
| SIRESS | SADC Integrated Regional Electronic Settlement System        |
| SSS    | securities settlement system                                 |
| TR     | trade repository                                             |

## Glossary

|              |                                                           |
|--------------|-----------------------------------------------------------|
| the Bank     | South African Reserve Bank                                |
| the NPS Act  | National Payment System Act, 1998 (Act No. 78 of 1998)    |
| the SARB Act | South African Reserve Bank Act, 1989 (Act No. 90 of 1989) |

## **Executive summary**

This information paper documents the South African Reserve Bank (the Bank) National Payment System Department's (NPSD) commitment to the Principles for Financial Market Infrastructures (PFMIs or "the Principles"), in the national payment system (NPS).

## 1. Background

In April 2012 the Committee on Payment and Settlement Systems (CPSS), under the auspices of the Bank for International Settlements (BIS), and the Technical Committee of the International Organisation of Securities Commissions (IOSCO) published the “Principles for Financial Market Infrastructures (PFMIs)” report.<sup>1</sup>

The PFMIs update, harmonise and strengthen the international risk management and associated standards applicable to systemically important payment systems (PSs), central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs) and trade repositories (TRs).

The report is an expansion of the BIS’ “Core Principles for Systemically Important Payment Systems” (CPSIPS) published in January 2001, which provided ten principles for the safe and efficient design and operation of systemically important payment systems, and the four responsibilities required of central banks, and which the NPSD supported and implemented within the payments environment.

In September 2013 the Bank, in a document published on its website on 10 September, confirmed its support for the PFMIs published by the CPSS.<sup>2</sup> Furthermore, the Bank delegated to the NPSD the mandate to implement and oversee the interim arrangements until the Twin Peaks financial regulatory framework had been finalised.

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<sup>1</sup> The report is available on both the BIS’ website (<http://www.bis.org/publ/cpss101.htm>) and the IOSCO website (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD350.pdf>).

<sup>2</sup> South African Reserve Bank [www.resbank.co.za](http://www.resbank.co.za)>Regulation and Supervision>National Payment System (NPS)

## 2. Legal and regulatory framework

In terms of section 10 (1)(c) of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989) (the SARB Act), the Bank 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, 1998 (Act No. 78 of 1998) (the NPS Act) provides for the “management, administration, operation, regulation and supervision of payment, clearing and settlement systems in South Africa” and for “connected matters”.

The SARB Act and the NPS Act, therefore, provide the Bank with the regulatory and supervisory power to manage and oversee the NPS.

## 3. Objective

The objective of this information paper is to advise that the NPSD embraces the Principles, which support promoting and maintaining financial stability in the South African payment system.

Furthermore, the Bank recognises the following stakeholders in the payment system that should adhere to the updated standards outlined in the PFMI:

- South African Multiple Option Settlement (SAMOS)<sup>3</sup> system, which is the Real-Time Gross Settlement (RTGS) system;
- BankservAfrica Limited<sup>4</sup>, which clears retail transactions;

<sup>3</sup> Information about SAMOS and NPS can be found at [www.resbank.co.za](http://www.resbank.co.za)>Regulation and Supervision>National Payment System (NPS).

<sup>4</sup> Information about BankservAfrica Limited can be found at [www.bankservafrika.com](http://www.bankservafrika.com).

- The Continuous Linked Settlement (CLS)<sup>5</sup> system, which settles foreign exchange transactions in designated currencies, including the South African rand;
- Strate Limited,<sup>6</sup> which clears and settles equities, bonds and money-market transactions; and
- SADC Integrated Regional Electronic Settlement System (SIRESS), which settles cross-border credit transfers that require immediate settlement.

Although the retail payment system, operated by BankservAfrica Limited, may not necessarily be considered systemically important, the NPSD regards it as a prominent and critical component of the NPS, and thus subjects it to the NPSD's oversight.

It should be noted that the NPSD is responsible for oversight of the CLS system, Strate Limited and SIRESS in conjunction with other regulators.

#### **4. Role of the National Payment System Department**

In its role as overseer of the payment system, NPSD promotes and maintains the safety and efficiency of the payment system. The NPSD thus strives to minimise payment system-related risks in the NPS and, in this role, acts in the interest of the system as a whole and not that of any individual stakeholder.

#### **5. Position of the National Payment System Department**

The NPSD, as overseer of the NPS, is committed to the Principles as these regulations apply to payment systems. Furthermore, payment system stakeholders are encouraged to adhere to the Principles and implement the necessary standards.

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<sup>5</sup> Information about the CLS system can be found at [www.cls-group.com](http://www.cls-group.com).

<sup>6</sup> Information about Strate Limited can be found at [www.strate.co.za](http://www.strate.co.za).

## **6. Conclusion**

The NPSD believes that the Principles will assist in strengthening risk management practices and support the broader mandate of the Bank in the pursuit of financial stability.

## **7. Queries and contact details**

Any enquiries (e.g., requests for clarification) concerning this information paper may be addressed to: [npsdirectives@resbank.co.za](mailto:npsdirectives@resbank.co.za).