



South African Reserve Bank

National Payment System Department

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Notice to all stakeholders in the national payment system on the reduction of the cheque item limit from R500 000 to R50 000

1. Background

- 1.1** Section 10(1)(c)(i) of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act) empowers the South African Reserve Bank (SARB) 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 the payment, clearing or settlement systems”. Furthermore, in terms of the National Payment System Act 78 of 1998 (NPS Act), the SARB is required to provide for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in the Republic of South Africa; and to provide for connected matters.
- 1.2** The NPS Act authorises the SARB to recognise a payment system management body (PSMB) established with the objective of organising, managing and regulating the participation of its members in the payment system. The NPS Act requires such a PSMB to be constituted to fairly represent the interest of its members; to have a fair, equitable and transparent constitution and admission rules for members; to enable the SARB to adequately oversee the affairs of the PSMB and its members; and to assist the SARB in discharging its responsibilities as specified in section 10(1)(c) of the SARB Act.

- 1.3 The Payments Association of South Africa (PASA) was recognised by the SARB as a PSMB in 1998. Since this recognition, the SARB has exercised oversight responsibilities over PASA as provided for in section 3 of the NPS Act. Currently, PASA manages 18 payment clearing houses (PCHs), including the Code Line Clearing (cheque) PCH.
- 1.4 On 29 August 2017, PASA proposed a reduction in the current cheque item limit from R500 000 to R50 000. The reduction was due to the continued high burden of managing cheque fraud risk; the constant decline in cheque volume and value, which reduces economies of scale and thereby increases operational costs, resulting in inefficiencies and increased operational risk associated with ageing or redundant processing capabilities; and the diminishing level of skills in the cheque environment. The proposal for the reduction of the cheque limit was to be implemented within six months of the SARB's approval.
- 1.5 In November 2018, following stakeholder engagement on the proposal, the SARB published a consultation paper titled 'Reviewing the cheque item limit', with the objective of soliciting stakeholder input in relation to the PASA proposal and the proposed implementation time frame of six months, and to gather information on cheque-related matters, including consumer segmentation on the use of cheques.
- 1.6 On 29 April 2019, the SARB provided a 'no objection' to the PASA proposal of reducing the cheque item limit from R500 000 to R50 000. The payments industry was instructed to ensure implementation of the reduction in the limit from 1 May 2020. The 12-month period from April 2019 to April 2020 was provided to allow adequate time for affected participants to effect the necessary system changes, and for necessary consumer education and awareness to be conducted.

2. Notice

- 2.1 This notice serves to inform stakeholders that the cheque item limit will be reduced from R500 000 to R50 000, effective from 1 May 2020.
- 2.2 Affected stakeholders are requested not to split cheques to circumvent the cheque item limit.
- 2.3 Affected stakeholders are encouraged to use alternative electronic payment methods for payment transactions beyond the R50 000 item limit.
- 2.4 Stakeholders who are uncertain of any aspect relating to this practise or this notice are advised to contact the SARB. Enquiries in this regard may be directed to npsdirectives@resbank.co.za.