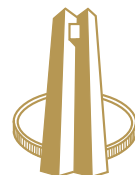


National Payment System Department

Final report
Review of the effectiveness
of the Payments Association
of South Africa

June 2016



South African Reserve Bank

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1. Introduction

- 1.1 The Payments Association of South Africa (PASA) was recognised by the South African Reserve Bank (SARB) as a Payment System Management Body (PSMB) in 1998. Since this recognition, the SARB has exercised oversight over PASA in terms of section 3 of the National Payment System Act 78 of 1998 (NPS Act). However, to date, a review of PASA to assess its effectiveness as a PSMB had not been undertaken. Recent developments in the global and domestic payments landscape have necessitated this review. These include the reform of the financial sector regulatory architecture (Twin Peaks), the publication of a document titled 'Principles for financial market infrastructures' (PFMIs) by the Bank for International Settlements' (BIS) Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO), the outcome of the Financial Sector Assessment Program (FSAP), issues identified in the SARB's ongoing oversight over the affairs of PASA, and various matters raised by payment industry stakeholders in respect of the current PASA model.
- 1.2 The SARB thus initiated a review of PASA's institutional, regulatory and governance frameworks to ensure the effective fulfilment of its mandate as provided for in the NPS Act. The review process commenced early in 2015 with a survey issued by the SARB to gather stakeholder input that culminated in the development and publication of a PSMB/PASA model review consultation paper (consultation paper) in October 2015. The consultation paper sought stakeholder comments relating to the SARB's recommendations on ways in which the effectiveness of PASA could be enhanced.

2. Purpose and structure

- 2.1 The purpose of this document is to outline planned arrangements and actions that will be undertaken to enhance the effectiveness of PASA.
- 2.2 The work that has been undertaken and the recommendations captured in this paper do not seek to address a broader review of the relevance of the PSMB model (also known as the self-regulatory organisation (SRO) model) as currently captured in the NPS Act. Such review is under way within the SARB as a separate process and will culminate in the SARB pronouncing its policy position on the most appropriate model for the national payment system (NPS).

3. Drivers of the PSMB and PASA model review

While PASA has fulfilled its mandate and contributed to building a safe and efficient NPS, developments in the global and domestic financial environment have necessitated a review of PASA. The focus of the review will be on the institutional, governance and regulatory frameworks to ensure their effectiveness and alignment with international standards and best practices as well as other key developments outlined below.

3.1 Twin Peaks regulatory reforms

- 3.1.1 In February 2011, National Treasury announced reforms in the regulation of the financial system to a Twin Peaks model (Twin Peaks) as part of the broader financial regulatory reform initiative.¹ The proposed Twin Peaks model aims to

¹ National Treasury, *A safer financial sector to serve South Africa better*, National Treasury Policy Document (Red Book), February 2011.

create a more resilient and stable financial system; provide transparency, market integrity and consumer protection; and strengthen South Africa's approach to market conduct regulation.

- 3.1.2 The implementation of the Twin Peaks model, as captured in the most recent version of the Financial Sector Regulation Bill (FSR Bill), will result in the establishment of two authorities, namely (i) the Prudential Authority (PA) within the SARB; and (ii) the Financial Sector Conduct Authority (FSCA) to replace the Financial Services Board (FSB). Furthermore, the SARB's powers in respect of financial stability will be explicitly provided for in the legislation. In essence, the SARB will have prudential responsibility for banks, insurers and money-market funds, and stability surveillance of systemically important financial institutions (SIFIs), including financial market infrastructures (FMIs). In addition to its existing responsibility to promote compliance with international standards by the payment FMIs, the SARB will also have the responsibility for assessing securities market FMIs' compliance with these international standards.
- 3.1.3 The FSCA will also have a role to play in respect of the conduct supervision of payment service providers. The SARB will remain responsible for the oversight of the broader NPS, including the conduct supervision of operators of payment systems and participants in the NPS. This new governance arrangement will have an impact on the existing governance structure provided for in the NPS Act, including the role of PASA, and contributed to the necessity of the review to ensure proper alignment of the payment regulatory framework with the FSR Bill.

3.2 Principles for financial market infrastructures and assessments

- 3.2.1 The second driver of the PASA review relates to the increased global focus on FMIs, given their critical role in the financial system and broader economy. In this regard, it is appropriate for the SARB to review whether payment FMI regulation and licensing responsibilities in South Africa should continue to reside with PASA, or be migrated to the SARB. The systemic nature of FMIs as well as the need for promoting effective risk management by FMIs was underscored by the joint publication of the PFMIs by the CPMI and IOSCO.
- 3.2.2 Although the PFMIs do not prescribe who the responsible authority for FMI regulation, oversight and supervision should be, the need for proper alignment of the regulatory, supervisory and oversight responsibilities in respect of securities and payment FMIs need to be appropriately assigned and coordinated. This principle was further underscored in the recent Level 3 assessment of South Africa by the BIS² to establish whether there is consistency in the outcomes arising from the implementation of the PFMIs. Among other things, this assessment highlighted the need for the coordinated oversight, supervision, regulation and assessment of FMIs in South Africa.
- 3.2.3 Further, the PFMIs brought the existing governance arrangements of FMIs, overseers, regulators and supervisors under the spotlight. Regulators are increasingly required to strengthen their regulatory and supervisory powers to ensure adequate and appropriate FMI regulation, supervision and oversight. This supports a review and possible adjustment to the existing powers, governance structures and resources of the SARB, including PASA.

² The Level 3 assessment focuses on the implementation of the responsibilities for authorities in the PFMIs across all relevant FMIs within the assessed jurisdictions.

- 3.2.3 In addition, the SARB is also currently reviewing the existing FMI policy and governance framework (including the broader NPS policy) in order to make recommendations on an appropriate FMI policy and governance framework. This is an ongoing separate process that will be aligned with the broader NPS Act review project currently under way within the SARB. It is envisaged that this process will bring clarity on the future role of the SARB in FMI regulation, licensing, supervision and oversight.

3.3 NPS Act: PASA oversight

- 3.3.1 As stated above, PASA has been recognised as a PSMB in terms of section 3 of the NPS Act. In terms of the NPS Act, PASA's continued recognition is conditional to, among other things, PASA 'enabling the SARB'³ to adequately oversee its affairs and that of its members as well as in assisting the SARB to discharge its responsibilities in respect of payment, clearing and settlement systems.
- 3.3.2 In fulfilling this oversight role over PASA, the SARB is represented on the PASA Council and has frequent engagements with the PASA Chief Executive Officer (CEO) on policy and industry-specific issues and projects. The SARB also attends and participates in various structures of PASA, albeit on a non-voting basis. It approves membership, payment clearing house system operator (PCH SO) and system operator (SO) criteria as set by PASA.
- 3.3.3 Except for the above, the NPS Act does not define the framework for the SARB's oversight responsibility over PASA, nor does it provide clarity in respect of the ongoing obligations of PASA that are aimed at ensuring its continued existence or recognition as a PSMB. This is with the exception of the powers outlined in section 3(2A) in terms of which the SARB could, if it is no longer satisfied that the PSMB complies with the requirements specified in the NPS Act, withdraw its recognition as a PSMB. In addition, the SARB does not have any enforcement powers over PASA, should PASA not fulfil its obligations as provided for in the NPS Act.
- 3.3.4 In view of the above shortcomings, it has become necessary to review the effectiveness of PASA as currently recognised by the SARB and to ensure that it is subjected to stringent and ongoing oversight by the SARB.

3.4 SARB's vision documents

- 3.4.1 Another key driver of the PASA review is the strategic direction driven by the SARB through the publication of its vision and strategy documents, namely the *South African National Payment System Framework and Strategy Document* (the so-called Blue Book) which was published by the SARB in 1995; *The National Payment System Framework and Strategy, Vision 2010*; and *The National Payment System Framework and Strategy, Vision 2015*. The common themes across these documents have consistently been related to, among other things, the increased participation of non-banks in the NPS, and the promotion of access and competition in the payments industry. This is in line with section 6A(3) of the NPS Act which prohibits denial of access to any person⁴ in a payment system where such person complies with the participation criteria.

³ See section 3(2)(c) of the NPS Act.

⁴ Person in this instance refers to a natural or juristic person.

3.5 FSAP report

- 3.5.1 During 2014, the International Monetary Fund (IMF) conducted an assessment of South Africa's compliance with international standards. With regard to the NPS, the FSAP report⁵ found that, contrary to CPSS–IOSCO Principle 18, access to clearance and payments is biased against new entrants and there is less competition among financial institutions in the payment system.
- 3.5.2 It recommended the enhancement of competitive behaviour on the part of the financial institutions by regulators, and lower entry barriers while maintaining the stringent fit-and-proper test for new entrants. Promoting competition among financial institutions would result in a greater supply of financial services at lower intermediation costs, especially for small and medium enterprises and lower-income households.
- 3.5.3 Given the commitments that South Africa made as a Group of Twenty (G-20) member country in respect of compliance with FSAP recommendations, as well as its firm acceptance of the FSAP recommendations, it was necessary to initiate this review process to address identified shortcomings and to create a level playing field for all participants in the NPS.

3.6 Payment stakeholder concerns

- 3.6.1 The SARB, through its ongoing engagement with the payment industry stakeholders, has also become aware of industry issues or concerns mainly pertaining to the current governance and structure of PASA. These relate to, among other things, the restrictive mandate and membership of PASA, concerns relating to the independence and governance of PASA, and the lack of objectivity in the compliance and enforcement framework of PASA.

4. PASA review process

4.1 Stakeholder survey: January 2015

- 4.1.1 The above drivers prompted the SARB to initiate the PASA review process. The process commenced with the issuance of a payments industry-wide survey of the effectiveness of PASA in January 2015. The survey was aimed at gathering necessary information and identifying the shortcomings of PASA as well as areas of concern.

4.1.2 The scope of the survey included:

- a. PASA mandate/strategy;
 - b. PASA governance structure;
 - c. PASA regulatory model;
 - d. PASA membership; and
 - e. other related issues.
- 4.1.3 The survey was widely circulated to all key stakeholders in the NPS, including PASA members and the executive office, banks, non-banks, payment industry and other related associations, policymakers, and other relevant stakeholders. A total of 33 responses were received, where 16 responses were from banks, 6 from non-bank associations/entities, 3 from PCH SOs, and 8 from individual PASA councillors.

⁵ International Monetary Fund, 'South Africa: Financial System Stability Assessment', *IMF Country Report No. 14/340*, December 2014.



4.2 PSMB/PASA model review consultation paper: October 2015

- 4.2.1 Following the above survey and consideration of the comments/recommendations received, in October 2015 the SARB published a consultation paper based on its analysis of responses and its own insights for comment. The purpose of the paper was to:
- share initial recommendations that would address the concerns relating to the effectiveness of PASA to ensure that it adequately fulfils its mandate as provided for in the NPS Act; and
 - serve as a tool for the engagement with the NPS stakeholders and invite stakeholders to provide input on proposed recommendations.
- 4.2.2 A stakeholder comment period was provided to enable stakeholders to comment on the recommendations. The consultation paper was widely circulated to all key stakeholders in the NPS, including PASA members and the executive office, banks, non-banks, payment industry and other related associations, policymakers, and other relevant stakeholders. A total of 17 responses were received, where 10 responses were from banks, 3 from non-bank associations/entities, 2 from PCH SOs, 1 from the PASA executive office, and 1 from a PASA councillor.

5. Final recommendations and actions

- 5.1 The stakeholder comments and recommendations on the consultation paper were taken into account in finalising the recommendations and actions for implementation. The final recommendations and actions with specific timelines are outlined in Table 1. The implementation of actions will commence shortly after the date of publication of this final report by the SARB.
- 5.2 The SARB will facilitate a coordinated approach for the implementation of these proposed recommendations with specific actions, measurable milestones and timelines. This process will include consultation with the responsible entities to ensure a streamlined execution, and to provide clarity and avoid duplication of efforts between the NPSD, PASA and industry stakeholders.
- 5.3 The following table presents the final recommendations and actions for implementation:

Table 1 PASA review: final recommendations and actions

Recommendations	Initiatives/actions	Timeline in months (from publication of final report)			Responsible
		Short term (6 months)	Medium term (18 months)	Long term (32 months)	
1. The oversight framework for PSMBs, including PASA, should be developed and clearly outlined in the NPS Act. The NPS Act should enable ongoing oversight of PSMBs by the SARB, and the applicable requirements should be specified in the NPS Act.	1. Development of oversight framework for PSMBs in line with IOSCO Principle 9, the FMA and PFMI.		✓		NPSD
	2. Inclusion of the PSMB oversight framework in the NPS Act Review Policy paper and NPS Amendment Act.			✓	NPSD
	3. Creation of a function within the NPSD to oversee the execution of PASA's mandate/ functions, including policy and regulatory formulation, and monitoring and enforcement functions in PASA.		✓		NPSD
	4. Alignment of PASA institutional and regulatory instruments with the PASA oversight framework provided for in the NPS Amendment Act (subject to number 3).			✓	PASA
2. Enable expansion of the PASA mandate to include relevant participants, services and systems, where necessary.	1. Inclusion of enabling provision in the NPS Amendment Act to accommodate the expansion of the PASA mandate to enable the extension of regulatory reach, where necessary.			✓	NPSD
3. PASA should continue to exist as a PSMB, subject to the outcome of the broader PSMB model review process, and provided the necessary amendments are effected to its mandate and its structural and governance model to enhance its effectiveness and efficiency as provided in the consultation paper and the final report.	1. Continuation of a separate and parallel process to review the broader PSMB/SRO model to determine its effectiveness, relevance and necessity in the constantly changing payments landscape.		✓		NPSD
	2. Development of a policy position paper on the future of a PSMB/SRO model.		✓		NPSD
	3. Incorporation of the new policy position in the NPS Amendment Act, where relevant.			✓	NPSD
	4. The SARB and PASA to develop plans to implement the measures in this document within the timelines provided.	✓	✓	✓	NPSD/PASA/ payments industry

Recommendations	Initiatives/actions	Timeline in months (from publication of final report)			Responsible
		Short term (6 months)	Medium term (18 months)	Long term (32 months)	
4. The PASA mandate should be expanded to include supervision of its members in anticipation of the supervisory responsibilities that may be delegated to PASA following the review of the NPS Act and the FSR Act coming into effect. The recommendation is subject to the necessary adjustments being effected to PASA's institutional and governance frameworks, as indicated in 17 below.	1. Initiate discussions with the PA on the scope of the PA in the broader NPS in alignment with the FSR Bill.	✓			NPSD
	2. A prudential regulatory and supervisory framework to be developed and included in the relevant legislation in line with the FSR Act.			✓	NPSD/PA
	3. Continuation of ongoing discussions with National Treasury and the FSCA on the scope of the FSCA in payments.		✓		NPSD
	4. Development of a conduct regulatory and supervisory framework for inclusion in the relevant legislation in alignment with the FSR Act.			✓	NPSD/FSCA
	5. Provision for delegation of authority from PA/NPSD/FSCA to PASA to be effected in relevant legislation.			✓	NPSD/PA/ FSCA
	6. Establishment of a function and the dedication of resources in PASA for the execution of potential delegated prudential as well as conduct regulation and supervision from the PA and/or FSCA.			✓	PASA
5.1 Development of a strategy development and facilitation function within the SARB to promote innovation in the payment system.	1. Enhancement of strategy development, facilitation and monitoring as well as an implementation function within the NPSD.	✓			NPSD
5.2 Establishment of the Payments Council by the SARB in collaboration with the payments industry (including PASA) as an inclusive forum for collaboration on NPS strategic issues and to facilitate strategic developments and alignment between the payments industry and SARB on payment-system matters.	2. Development of terms of reference (ToRs) of the Payments Council to outline, among other things, the mandate, functions, powers, composition, authority, substructures and status of the Payments Council. (ToRs should, among other things, also mention the replacement of the NPSSB by the Payments Council and address the interface with various associations, including PASA and other forums such as the Policy Forum).	✓			NPSD

Recommendations	Initiatives/actions	Timeline in months (from publication of final report)			Responsible
		Short term (6 months)	Medium term (18 months)	Long term (32 months)	
	3. Establishment of the Payments Council in line with the ToRs.		✓		NPSD
6. Expansion of the membership of PASA as currently provided for in the NPS Act to specifically include SOs, TPPPs, operators, and other relevant associations and payment service providers to promote access in the payment system and to ensure a fair, consistent and appropriate level of member representation in the decision-making or governance structures of PASA.	1. Propose new categories/tiers of PASA membership for approval by the SARB. This should include proposals on membership of the less regulated and unregulated participants in the NPS as well as the status and rights of each category/tier of membership. The status of members that does not fall within the regulatory scope of PASA is to be specifically defined.	✓			PASA
	2. Develop membership requirements in respect of the expanded categories/tiers of membership, where required, that are proportionate to the risks they introduce in the NPS.		✓		PASA
	3. Include and/or enable the SARB-approved expanded PASA membership requirements in the NPS Act review policy document and NPS Amendment Bill.		✓		NPSD
	4. Inclusion of membership requirements in relevant PASA institutional and regulatory instruments.			✓	PASA
7. The SARB should assume the regulatory, supervisory, oversight and authorisation responsibilities over all FMIs, non-FMI PCH SOs and settlement systems, including designated settlement systems and other systems in the NPS that may be identified as systemically important.	1. Identification of FMIs, PCH SOs and other participants (including systemically important participants/systems) currently under direct regulation by PASA that could potentially be transferred to the SARB.		✓		NPSD

Recommendations	Initiatives/actions	Timeline in months (from publication of final report)			Responsible
		Short term (6 months)	Medium term (18 months)	Long term (32 months)	
	2. Development of a new framework and/or the enhancement of an existing regulatory, supervisory and oversight framework (including the enforcement framework) and/or authorisation criteria for identified FMIs, non-FMI PCH SOs, settlement systems, SOs and other systemically important systems/participants in the NPS.		✓		NPSD
	3. Determination of the scope of the PA in respect of FMIs, PCH SOs, SOs, settlement systems and other payment systems. A draft FMI policy paper proposing the scope of the PA in light of the FSR Bill has been developed and internal discussions are ongoing between the NPSD and the PA to formulate a policy position on this matter.		✓		NPSD/PA
	4. Enhancement of the regulatory and authorisation function within the NPSD Policy Unit to authorise FMIs, non-FMI PCH SOs, settlement systems, SOs, and other systemically important systems and institutions in the NPS.			✓	NPSD
	5. Enhancement of the enforcement function within the NPSD.			✓	NPSD
	6. Creation of an Operator Forum to enable engagement on matters of mutual interest in respect of FMIs, nonFMI PCH SOs and other participants.		✓		NPSD
	7. Expand PASA membership to include existing non-PASA members and specify the applicable voting rights.	As part of recommendation 6 above.			PASA and NPSD

Recommendations	Initiatives/actions	Timeline in months (from publication of final report)			Responsible
		Short term (6 months)	Medium term (18 months)	Long term (32 months)	
8. Member representatives should have an adequate and appropriate level of skills, expertise and accountability, and appropriate seniority to maximise their participation in the relevant PASA structures. Formal training programmes should be made compulsory prior to the commencement of roles by representatives.	1. Development of induction, training (including formal training provided by PASA and institutions of higher learning) and capacity/representation management plans for the SARB's approval.	✓			PASA
	2. Amendments of relevant PASA regulatory documents to reflect member representative requirements as provided for in the approved management plans.		✓		PASA
	3. Implementation of management plans by PASA and PASA members.		✓		PASA
9. Initial and ongoing approval by the SARB of the PASA constitution and regulatory framework. The approval is aimed at ensuring that the constitution is compliant with the relevant provisions of the NPS Act, and that the regulatory framework is aligned with the public policy objectives of the payment-system regulations.	1. Submission of any amendments to the constitution, regulatory framework, authorisation criteria, PCH rules, agreements and service level agreements to the SARB for approval.	✓			PASA
	2. Development of a service level commitment document to specify matters for approval by the SARB, the process to be followed and the timelines for the approval process.	✓			NPSD
	3. Amendments of the constitution and relevant regulatory instruments to provide for the approval process in respect of amendments to the constitution as well as any new and proposed amendments to the existing regulatory framework, authorisation criteria, PCH rules, agreements, service level agreements and other regulatory frameworks.	✓			PASA
	4. The SARB to explicitly provide for this requirement in the NPS Amendment Bill.			✓	NPSD



Recommendations	Initiatives/actions	Timeline in months (from publication of final report)			Responsible
		Short term (6 months)	Medium term (18 months)	Long term (32 months)	
10.1 Establishment of a Legal and Regulatory Committee responsible for, among other things, the regulation and drafting of the regulatory framework and constitution.	1. Development of ToRs for the Legal and Regulatory Committee for approval by the SARB. This should be in line with the detailed recommendations contained in the consultation paper and any other additional requirements from the SARB. The PASA executive responsible for legal matters should chair this committee. This should include a requirement for the ToRs to be amended only with the approval by the SARB.	✓			PASA
10.2 Establishment of the PASA Compliance and Enforcement Committee responsible for monitoring compliance with the PASA constitution and regulatory framework by PASA members, and taking necessary enforcement action against non-compliance with the constitution and PASA regulatory framework, or the recommendation thereof to the PASA Council.	2. Establishment of a Legal and Regulatory Committee or enhancement of the current PASA Legal Committee in line with SARB-approved ToRs.	✓			PASA
	3. Development of ToRs for the Compliance and Enforcement Committee for approval by the SARB. This should be in line with the detailed recommendations (specifically the independence of the Compliance and Enforcement Committee and the PASA Council) contained in the consultation paper and any other additional requirements from the SARB. This should include a requirement for the ToRs to be amended only with the approval by the SARB.		✓		PASA
	4. Establishment of a Compliance and Enforcement Committee in line with the approved ToRs.		✓		PASA

Recommendations	Initiatives/actions	Timeline in months (from publication of final report)			Responsible
		Short term (6 months)	Medium term (18 months)	Long term (32 months)	
11. Establishment of a Payment Policy and Regulatory Coordination Forum to consult and engage the broader payments industry on policy-related matters and developments.	1. Development of ToRs for the Payment Policy and Regulatory Coordination Forum. This will, among other things, address the mandate, functions, powers, composition, status and interface with other forums, consultation processes and procedures, and substructures of the forum.	✓			NPSD
	2. Establishment of a Payment Policy and Regulatory Coordination Forum in accordance with the ToRs.		✓		NPSD
12. Introduction of a formal rule-making/ amendment consultation process in the NPS Act and PASA regulatory framework, requiring a description of the manner of consultation by a PSMB as well as the stakeholders to be consulted.	1. Proposal of an amendment and consultation process for input and approval by the SARB.		✓		PASA
	2. Inclusion of the approved process in the NPS Amendment Bill.		✓		NPSD
	3. Incorporation of the approved process in the relevant regulatory instruments for implementation.		✓		PASA
13. Review the PASA policies and regulatory framework (i.e. constitution, rules and agreements) to ensure that the current PASA regulatory framework meets the public policy objectives and adequately contributes to the functioning and development of the NPS, is aligned with the NPS Act and best international practices and standards, is up to date, is aligned with the new Twin Peaks regulatory framework, and that there is no duplication with policies and other proposals contained in this paper.	1. Development of a review plan by order of priority of the regulatory instruments, and identify areas requiring alignment.		✓		NPSD/PASA
	2. Effect the necessary amendments to the relevant regulatory instruments to ensure proper alignment.			✓	PASA



Recommendations	Initiatives/actions	Timeline in months (from publication of final report)			Responsible
		Short term (6 months)	Medium term (18 months)	Long term (32 months)	
14. Transfer of current enforcement powers of the PCH participant groups and the Compliance Committee to the new Compliance and Enforcement Committee (CEC), chaired by an independent non-executive councillor.	1. To be included in the ToRs of the CEC.		✓		PASA
15. Review the enforcement framework of PASA to align it with the FSR Bill and the NPS Act, where necessary.	1. Identify relevant enforcement provisions from the FSR Bill and NPS Amendment Bill to which the existing PASA enforcement framework should be aligned.		✓		PASA/NPSD
	2. Effect necessary amendments to align the PASA enforcement framework with the FSR Act and NPS Amendment Act.			✓	PASA
16. The approval of PASA members and PCH members should remain with the CEO and be executed after consultation with the CEC, the SARB, PA and FSCA (once established) and in accordance with approved criteria. PCHs should not review membership applications.	1. Amendments to the authorisation process to allow consultation with the CEC and approval by the CEO, in fulfilment of new PASA members by the PASA CEO. This should be applicable to existing and new categories of membership contemplated in recommendation 6 above.		✓		PASA
	2. Consultation/ concurrence with the NPSD from the publication date of this report, prior to approval of new membership after the effective date of the FSR Act.	✓			PASA
	3. Consultation/ concurrence with the FCSA (in respect of payment service providers) and the PA (in respect of the agreed scope of the PA in payments) as provided for in the FSR Act or NPS Act.			✓	PASA

Recommendations	Initiatives/actions	Timeline in months (from publication of final report)			Responsible
		Short term (6 months)	Medium term (18 months)	Long term (32 months)	
17. Review/replacement of the current PASA Council governance model with a model that will ensure an independent member representative (including the new membership) and a fair, equitable, transparent and experienced/skilled PASA Council to enable PASA to effectively fulfil its mandate as a PSMB as well as meet its public policy objectives.	1. Proposal of a governance model duly aligned with best corporate governance standards and principles (including the independence principle), PFMLs, <i>King Report on Governance for South Africa 2009 (King III)</i> and the SARB's recommendations as contained in the consultation paper relating to recommendation 16 for approval by the SARB.		✓		PASA
	2. Incorporation of an approved governance framework in relevant PASA regulatory instruments and the implementation of the improved PASA governance framework.		✓		PASA
18. Conduct an analysis of the effectiveness and adequacy of PASA's current funding model and resources. The analysis should include an analysis of the funding model in respect of the existing and envisaged/future mandate, where possible, as well as the functions and resources of PASA, and make appropriate recommendations to the SARB for consideration and approval.	1. Proposal on the effectiveness and adequacy of the PASA funding model and resources.		✓		PASA
	2. Implementation of the revised funding and resourcing model.			✓	PASA/PASA members/ PASA authorised participants
19. Inclusion of other recommendations contained in the FMA in respect of market infrastructures in the NPS Act and monitoring of PASA's implementation thereof by the SARB.	1. As part of recommendation 3 above.			✓	NPSD

Abbreviations

BIS	Bank for International Settlements
CDS	central securities depository
CEC	Compliance and Enforcement Committee
CEO	Chief Executive Officer
consultation paper	PSMB/PASA model review consultation paper
CPMI	Committee on Payments and Market Infrastructures
FMA	Financial Markets Act 19 of 2012
FMI	financial market infrastructure
FSAP	Financial Sector Assessment Program
FSB	Financial Services Board
FSCA	Financial Sector Conduct Authority
FSR Act	Financial Sector Regulation Act
FSR Bill	Financial Sector Regulation Bill
G-20	Group of Twenty
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
NPS	national payment system
NPS Act	National Payment System Act 78 of 1998
NPSD	National Payment System Department
NPSSB	National Payment System Strategy Body
PA	Prudential Authority
PASA	Payments Association of South Africa
PCH	payment clearing house
PFMIs	Principles for financial market infrastructures
PSMB	Payment System Management Body
SARB	South African Reserve Bank
SARB Act	South African Reserve Bank 90 of 1989
Securities Services Act	Securities Services Act 36 of 2004
SO	system operator
SRO	self-regulatory organisation
SIFI	systemically important financial institution
ToR	term of reference
TPPP	third-party payment provider
Twin Peaks	Twin Peaks model of financial regulation

