



SOUTH AFRICAN RESERVE BANK

File ref. no.: 18/2/1/14

National Payment System Department

18 November 2020

Notice to all stakeholders in the national payment system on the exiting of cheques

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 1999. Since this recognition, the SARB has exercised oversight responsibilities over PASA as provided for in section 3 of the NPS Act. Currently, PASA manages 19 payment clearing houses (PCHs), including the Code Line Clearing (cheque) PCH.
- 1.4 In July 2012, PASA initiated the reduction of the cheque item limit from R5 000 000.00 to R500 000.00 to address the risks that were associated with cheques in the national payment system (NPS). This was followed by a reduction from R500 000.00 to R50 000.00, effective from 1 May 2020. The SARB endorsed both reductions to enhance the protection of consumers and the reduction of risk in the NPS, subject to alternative (safe) electronic payment methods being made available to consumers.
- 1.5 Subsequently, the SARB engaged and obtained support from relevant policy-makers, regulators as well as the banking and payments industry on the phasing out (cessation) of cheques, which culminated in the issuing of a consultation paper titled 'The phasing out of cheques in the national payment system', issued on 2 October 2020. The consultation paper is available at [http://www.resbank.co.za/RegulationAndSupervision/NationalPaymentSystem\(NPS\)/Legal/Pages/Documents-for-Comment.aspx](http://www.resbank.co.za/RegulationAndSupervision/NationalPaymentSystem(NPS)/Legal/Pages/Documents-for-Comment.aspx)
- 1.6 The consultation paper outlined the challenges relating to the usage of cheques in the NPS, including the challenges faced by the regulators, the payments industry users and consumers (i.e. lengthy processing period, fraud, cheques as an expensive payment instrument, restricted acceptance, declining usage, lack of innovation, limited education and protection for the consumer, ageing cheque processing infrastructure and negative experiences during the coronavirus disease 2019 (COVID-19) outbreak).
- 1.7 While all the challenges are equally important, the declining usage, fraud and ageing cheque processing infrastructure are the main drivers of the exiting of cheques. Between September 2019 and September 2020, the usage of cheques continued to decline at a faster rate, with volumes decreasing from 185 358 to 88 219 (-52%) and values decreasing from R4 776 183 729.00 to

R841 977 726.00 (-82%). In 2019, a 2.5% volume and 0.4% value, as calculated from total retail payments, accounted for cheques in the NPS compared to a 10.4% volume and 11.6% value for cards, and a 43.1% volume and 80.3% value for electronic funds transfers (EFTs). The COVID-19 pandemic exacerbated the decline in the usage of cheques, with consumers increasingly opting for faster, convenient and cheaper digital/electronic payments. The processing infrastructure has also become unsustainable and inefficient due to the continued decline in volume, increasing infrastructure maintenance costs, and the scarcity of skills required to maintain the infrastructure. Although the cheque volume is low, the prevalence of fraud in this payment instrument exposes consumers to unnecessary risks and losses.

- 1.8 The above challenges have motivated the banks to individually communicate their imminent cessation of the issuance/acceptance of cheques to/from their respective clients.
- 1.9 Therefore, the SARB, Financial Sector Conduct Authority (FSCA), PASA and the Banking Association South Africa (BASA) collectively, together with the payments industry, have decided that both the issuing and collection/acceptance of cheques should cease. An orderly process to exit cheques in the NPS is being implemented from payment, clearing and settlement perspectives. Further, the banks have been directed to extensively communicate the exiting of cheques and to educate their clients on alternative electronic payment methods.

2. Notice

- 2.1 This notice serves to inform stakeholders that the issuing and collection/acceptance of cheques will cease, effective from 31 December 2020.
- 2.2 All South African banks will no longer accept cheques after 31 December 2020.
- 2.3 Affected stakeholders are requested not to write/draw or accept cheques after 31 December 2020.

- 2.4 Affected stakeholders are encouraged to approach their banks on alternative payment instruments to cheques and to use alternative electronic payment methods.
- 2.5 Affected stakeholders are requested to contact their bank with any queries related to the process of cessation of the usage of cheques.

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