



Southern African Development Community
Committee of Central Bank Governors: Payment System Subcommittee
SADC Payment System Oversight Committee

SADC-RTGS Criteria for participation, suspension and termination of membership

SADC Payment System Subcommittee
Committee of Central Bank Governors
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Document Glossary

Abbreviation	Term
BCP	Business Continuity Plan
CCBG	Committee of Central Bank Governors
NPS	National Payment System
NPSD	National Payment System Department
PSMB	Payment System Management Body
PSOC	Payment System Oversight Committee
RCS	Regional Clearing and Settlement
RCSO	Regional Clearing and Settlement System Operator
RPS	Regional Payment Scheme
RTGS	Real Time Gross Settlement
RTL	Real Time Line
SADC	Southern African Development Community
SADC BA	Southern African Development Community Bank Association
SADC PSOC	Southern African Development Community Payment System Oversight Committee
SADC-RTGS	The Southern African Development Community Real Time Gross Settlement system
SARB	South African Reserve Bank
SLA	Service Level Agreement
SWIFT	Society for Worldwide Interbank Financial Telecommunication

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1. Document Purpose

The purpose of this document is to outline the criteria of participation, suspension and termination of membership on the SADC Real Time Gross Settlement (SADC-RTGS) system.

2. Background

The SADC-RTGS system is an automated real time gross settlement system developed and implemented to settle cross-border transactions within the SADC region. Currently, participation in the SADC-RTGS is limited to central banks and financial institutions within the SADC region. To join the SADC-RTGS, a financial institution must also be a participant in the domestic settlement system and must be approved and authorised by the central bank of its own jurisdiction¹. Upon joining the SADC-RTGS, the participant should commit to adhere to the SADC-RTGS Service and Settlement Agreements.

3. Criteria and requirements for participation in the SADC-RTGS system

3.1 Country participation

- 3.1.1 Participant central banks must be SADC member state central banks, and the country in question should be in good standing in SADC (i.e. the member state should not be suspended from SADC).
- 3.1.2 Each central bank pays a contribution fee determined by the CCBG Payment System Subcommittee and approved by the CCBG.
- 3.1.3 Before a financial institution joins the SADC-RTGS system, the relevant domestic central bank has to enter into a stakeholders' agreement to appoint the South African Reserve Bank (SARB) as an operator of the SADC-RTGS system. Under the jurisdiction of the respective central bank, the domestic central bank must give permission to banks to join the SADC-RTGS system.

¹ "SADC-RTGS Participant" means a SADC central bank or any financial institution i.e. banks and non-banks in SADC authorised by the central bank in the country of origin to be a participant in its domestic settlement arrangements or Real Time Gross Settlement system and in SADC-RTGS, who has met the conditions for access to SADC-RTGS in terms of the SADC-RTGS Service Agreement.

3.2 Financial institutions participation

- 3.2.1 Financial institutions that would like to participate in the SADC-RTGS system need approval from their respective central bank.
- 3.2.2 The central bank will consider the following requirements:
 - 3.2.2.1 The prospective participant is legally constituted and has complied with all the applicable laws in their country of jurisdiction.
 - 3.2.2.2 The prospective participant is a regulated and supervised financial institution that is currently a member of the country's RTGS system or domestic settlement system.
 - 3.2.2.3 The prospective participant is a foreign bank with branches operating in the SADC region.
 - 3.2.2.4 The prospective participant has the required infrastructure to support and enable smooth participation in the system.
 - 3.2.2.5 The prospective participant is able to demonstrate that it has tested the system and it meets the technical requirements including adequate communication links.
 - 3.2.2.6 The prospective participant has established and implemented policies and procedures to ensure compliance with international laws, regulations, and rules such as those pertaining to anti-money laundering and exchange control requirements.
 - 3.2.2.7 The prospective participant gave assurance that it will comply with all the rules of the regional system and agrees to sign SLAs with the SADC-RTGS Operator.
- 3.2.3 Operationally, prospective participants are required to comply with the technical and business functional requirements. These include adherence to business rules and models developed by the SADC Banking Association and/or the SADC Payment Scheme Management Body (PSMB). Participants are also required to complete market testing and error-free testing on SADC-RTGS.

3.3 Compliance

A participant irrevocably agrees and undertakes for as long as it remains a SADC-RTGS Participant to be bound by, comply with and strictly adhere to:

- 3.3.1 The Regional Rule Books of the RPSs, bylaws and directives of SADC PSMB;
- 3.3.2 the provisions of the SADC-RTGS Settlement Agreement and, without limiting the generality hereof, in particular clauses on the settlement rules and procedures, and on the participants agreement in terms of settlement, as well as the schedules thereto;
- 3.3.3 the SADC-RTGS Service Agreement between each SADC-RTGS Participant and the SADC-RTGS Operator;
- 3.3.4 the settlement rules in the Settlement Agreement (including all amendments and additions thereto) recommended and drafted by SADC PSMB and approved by SADC PSOC from time to time;
- 3.3.5 the RPS entry and participation criteria and standards as adopted by SADC PSMB and approved by the SADC PSOC from time to time; and
- 3.3.6 such international clearing and settlement system principles, any applicable statutes, other rules, regulations and jurisprudence, and such conventions, and directives recognised by SADC PSOC and SADC PSMB relating to clearing and settlement, as may now or in the future become applicable to the SADC-RTGS Participants.

3.4 Responsibility

Participants accepts full responsibility for:

- 3.4.1 The adherence to standards as amended from time to time in the SADC-RTGS Service Agreement to ensure accuracy, lawfulness and integrity of all settlement instructions delivered and communications issued by or on behalf of such party to the SADC-RTGS Operator and/or to other parties to the Settlement Agreement;
 - 3.4.1.1 the risk that a settlement instruction or other settlement related communication upon which another party is required to act, may be unauthorised, inaccurate, incorrect or otherwise tainted, it being the party from whom or under whose mandate and authority such settlement instruction or other communication originated. Where such an instruction or communication is delivered by a RCS system operator, such risk shall be borne by the SADC-RTGS Participant on whose behalf the instruction or

- communication was given;
- 3.4.1.2 the operational efficiency and integrity of its systems and personnel interfacing with the SADC-RTGS Operator and/or any other SADC-RTGS Participant;
 - 3.4.1.3 compliance with the matters referred to in Compliance clause above; and
 - 3.4.1.4 fulfilment of all its settlement obligations arising from settlement instructions delivered by it or by any third party under its authority to the SADC-RTGS Operator for the settlement of its payment obligations, and of all its further obligations arising from the Settlement Agreement.
- 3.4.2 Should any party for any reason whatsoever fail to comply with any of the obligations referred to above, its continued participation in each RPS in which it is a participant and the settlement of payment obligations between such party and the other parties to the Settlement Agreement may be suspended by SADC PSMB. Provided that until SADC PSMB so suspends such party, the other parties to the Settlement Agreement shall continue to allow such party to participate in such clearing and settlement processes.
- 3.4.3 Any SADC-RTGS Participant under business rescue (or equivalent process in SADC country of origin) or curatorship, in terms of insolvency laws, in its country of origin, may continue to participate in the clearing and settlement system until its participation is withdrawn by the SADC-RTGS Operator, upon the receipt of a written notification from the central bank of the country from which the SADC-RTGS Participant originates, that the SADC-RTGS Participant can no longer participate in SADC-RTGS.
- 3.4.4 The appointment of a business rescue practitioner, curator or similar official to a SADC-RTGS Participant shall not preclude the other SADC-RTGS Participants from changing their credit lines and any other arrangements in respect of such a SADC-RTGS Participant under curatorship at their discretion.

3.5 Business Continuity Planning

Each participant shall ensure and undertakes, as required by the SADC PSOC and SADC PSMB, to develop, introduce and maintain an effective and practical business continuity plan, relevant to systems and procedures, records, audit trails, recovery procedures and human resources.

This is essential in order to ensure the effective continuity of its participation in the clearing and settlement system notwithstanding any fact, matter or thing which might, but for such continuity plan, have jeopardised such participant's continued participation in the clearing

and settlement system and/or its ability to honour its obligations pursuant to such participation.

3.6 Disaster Recovery

Each prospective participant undertakes that:

- 3.6.1 its systems and facilities are adequate to operate the transactions contemplated in the SADC-RTGS Settlement Agreement;
- 3.6.2 its backup systems and facilities are an adequate alternative to the systems and facilities referred to above, upon the occurrence of a disaster event; and
- 3.6.3 it will procure an inspection by its own independent external auditors and at its own expense, of its systems and facilities as well as backup systems and facilities relevant to the settlement transactions contemplated in the Settlement Agreement on an annual basis as part of its annual audit, and will allow such auditors to make their opinion as to adequacy available to SADC PSMB and to answer such reasonable requests for additional information as the SADC PSMB and/or its auditors may require.

3.7 SWIFT Infrastructure Readiness Checks

- 3.7.1 The central bank should perform the infrastructure readiness checks in the financial institution prior to the institution going live in SADC-RTGS; and obtain documentary proof where necessary.
- 3.7.2 The readiness check is performed to ensure that the prospective participant has the required SWIFT connectivity and Disaster Recovery as well as Business Continuity Planning capability to ensure uninterrupted connectivity to SADC-RTGS.
- 3.7.3 Once the readiness check is completed, the central bank representative shall sign and date the readiness checks form and forward to the SADC-RTGS Customer Support Centre and the SADC BA.

4. Suspension and termination of participation in the SADC-RTGS system

4.1 Circumstances under which participation can be suspended or terminated

This section must be read with section 18 of the SADC-RTGS Settlement Agreement. Participation may be terminated under the following circumstances:

- 4.1.1 The country of origin terminates its SADC membership or is expelled or suspended from SADC;
- 4.1.2 The central bank terminates its participation in SADC payment system activities in terms of the stakeholder agreement;
- 4.1.3 The SADC-RTGS participant ceases to provide cross-border transactions;
- 4.1.4 The SADC-RTGS participant is acquired or merged with another entity;
- 4.1.5 The central bank withdraws the authorisation for SADC-RTGS participation for regulatory, operational or other reasons;
- 4.1.6 The SADC-RTGS participant is placed under curatorship, insolvency or judicial management in the country of origin; or
- 4.1.7 The banking license of the SADC-RTGS participant is withdrawn by the domestic regulator.

4.2 Notice to suspend or terminate participation in SADC-RTGS

The following process must be followed when a SADC-RTGS participant intends to terminate its participation in the SADC-RTGS system:

- 4.2.1 The central bank has a duty to inform the Chairperson of the CCBG Payments System Subcommittee, the SADC-RTGS Operator, the SADC PSOC, the SADC Banking Association and any other stakeholders in writing of its intention to terminate or suspend its participation in SADC-RTGS. The notice must be given at least 30 days prior to the termination of participation.
- 4.2.2 The central bank must notify the SADC-RTGS Operator and other stakeholders of any intention to withdraw, suspend or terminate participant of its jurisdiction from SADC-RTGS and other regional payment activities.

- 4.2.3 In the case where a participant is acquired by, or merged with another bank or entity, the central bank must give the SADC-RTGS Operator a notice at least 30 days before the deal is finalised.
- 4.2.4 In the event where the circumstances warrant immediate suspension of the bank's activities, the central bank must inform the SADC-RTGS Operator and other stakeholders immediately and prior to the issuing of a media statement.
- 4.2.5 In the event that the operational activities warrant the immediate suspension of the participant, the SADC RTGS Operator should inform the central bank concerned and other stakeholders;
- 4.2.6 The SADC-RTGS Operator is required to escalate to the central bank concerned and other stakeholders of the risks and call for the immediate suspension of the participant to save the system;
- 4.2.7 The SADC-RTGS Operator, together with the central bank, the appointed caretaker official and after consultation with the Chairperson of SADC PSOC, shall issue a media statement regarding the status of the participant and settlement arrangements for all payment instructions accepted as at the time of suspension.

4.3 The SADC-RTGS account

Although the banking activities of the distressed participant are suspended or terminated;

- 4.3.1 The SADC-RTGS account must remain active until all the obligations due and owed are honoured (note: the account has to be run down as per normal payment procedures until end of settlement day);
- 4.3.2 The SADC-RTGS Operator must ensure that all the payment schemes are made redundant (deactivate/suspend) to prevent new transactions;
- 4.3.3 The SADC-RTGS Operator must provide confirmation to stakeholders that all obligations in all the payment schemes that the 'distressed' bank participated in have been settled and that no further obligations were expected; and
- 4.3.4 The balances in the SADC-RTGS account will be transferred to the account as directed by the appointed bank official.

4.4 Communication

Sharing of information, requests or instructions must follow the following communication channels:

- 4.4.1 All correspondence of a 'distressed' participant to the SADC-RTGS Operator must be sent either by the appointed/nominated official for the distressed bank or the central bank concerned. All concerned parties need to be copied in the correspondence.
 - 4.4.1.1 For each stakeholder, there should be one point of contact such as the appointed official (caretaker) for the 'distressed' bank, head of payment systems of the central bank and the SADC-RTGS Operator and Chairperson of SADC PSOC.
- 4.4.2 The SADC-RTGS Operator needs to communicate the status of the 'distressed' participant in relation to its outstanding payment obligations and 'what it stands to receive' up to the minute it was suspended.
 - 4.4.2.1 The central bank must issue a notice that, in terms of their legislation, the distressed participant has been acquired, merged or dissolved, whichever is applicable.
 - 4.4.2.2 The SADC-RTGS operator to send confirmation to all stakeholders that the distressed participant has been successfully removed from the SADC-RTGS system.

4.5 Liability

- 4.5.1 Termination, suspension or freezing of membership shall not in any way prejudice the liabilities, duties and obligations of the participants on the SADC-RTGS platform.
- 4.5.2 Participants whose membership has been discontinued as defined by any of the above shall settle any outstanding fees and charges to the SADC-RTGS Operator up to the date of termination.

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