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SADC-RTGS overview

The SADC regional cross-border settlement system is called the SADC Real-time Gross Settlement (RTGS) Integrated Regional Electronic Settlement System, or the SADC-RTGS. The system has been in operation since July 2013. It is an automated interbank settlement system, which settles payment obligations between participating banks either in real-time or on a delayed basis. The current system settles payments in South African rand (ZAR). There are considerations to include additional currencies in the system in the near future.

The system is operated by the South African Reserve Bank (SARB), as appointed by the participating SADC central banks. Participants include central banks and financial institutions (i.e. banks and non-banks) in SADC that are authorised by the central bank in the country of origin to participate in that country's settlement system.

The SADC-RTGS is a project of the Protocol on Finance and Investment, which is focused on cross-border and intra-SADC transactions. It is a safe and efficient payment and settlement system, which allows banks in SADC member countries to send and receive payments directly from any of the other banks that have operating accounts in the SADC-RTGS. This reduces costs by eliminating intermediary banks, as banks in the region can manage their liquidity in a single account, rather than having a number of accounts at different correspondent banks across the SADC region.

SADC-RTGS's design and implementation are guided by the following principles:

- Use existing infrastructure wherever possible.
- Use international standards to ensure interoperability.
- Invest in straight-through processing.
- Each country will keep its own currency and financial infrastructure.
- Initial regional settlement currency will be the ZAR.
- SADC-RTGS will start with Common Monetary Area countries and then be rolled out to other SADC members.
- Cross-border cheques will be phased out.

The SADC region consists of 16 Southern African countries: Angola; Botswana; Comoros, Democratic Republic of Congo (DRC); Eswatini; Lesotho; Madagascar; Malawi; Mauritius; Mozambique; Namibia; Seychelles; South Africa; Tanzania; Zambia; and Zimbabwe.

SADC FINANCE AND INVESTMENT PROTOCOL

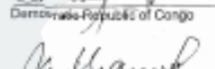
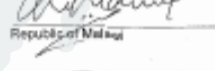
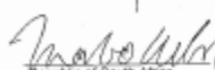
Articles 21 and 22 of the SADC Treaty were the instruments used to establish the SADC Finance and Investment Protocol (FIP). Since the FIP has been ratified by all the SADC member states, it is binding on all SADC countries. The protocol was signed by the Heads of State of the SADC countries and approved by the SADC Summit in Maseru, Lesotho, on 18 August 2006.

Article 8 of the FIP provides that the state parties shall ensure cooperation among their central banks in relation to the payment, clearing and settlement system. Annexure 6 recognises that central banks must cooperate through policy coordination, capacity building and system development, which in turn will contribute to reforming the facilitation of cross-border payments and support for monetary policy objectives.

Seychelles and the Union of the Comoros joined the SADC FIP in 2008 and 2018 respectively.

IN WITNESS WHEREOF, WE, the Heads of State or Government or our duly authorized representatives, have signed this Protocol.

DONE at Maseru, Lesotho, on 18th day of August 2006 in three original texts in the English, French and Portuguese languages, all texts being equally authentic.

 Republic of Angola	 Republic of Botswana
 Democratic Republic of Congo	 Kingdom of Lesotho
 Republic of Madagascar	 Republic of Mozambique
 Republic of Mauritius	 Republic of South Africa
 Republic of Namibia	 United Republic of Tanzania
 Kingdom of Swaziland	 Republic of Zimbabwe
 Republic of Zambia	

Financial infrastructure

The following financial infrastructure is proposed for SADC:

- a regional interbank settlement system owned by SADC and operated by an appointed central bank;
- a regional clearing capability for electronic funds transfer (EFT) credits and debits;
- a regional clearing capability for card automated teller machine (ATM) transactions; and
- a clearing and settlement capability for cross-border securities transactions.



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REGIONAL ECONOMIC INTEGRATION

OBJECTIVES & BENEFITS

The objectives of the regional economic integration are to:

- remove barriers that prevent or restrict economic relationships between countries in the region (e.g. trade barriers, exchange controls, controls on cross-border investment and labour movements);
- harmonise the regulatory and legal environments across member states; and
- facilitate the ability of the region to operate as a single economic market.

The benefits of regional economic integration are:

- large and efficient markets;
- increased trade as a result of specialisation of production and more efficient use of resources; and
- more investment flows due to greater market opportunities.

Key strategic principles

- Project focus: cross-border and intra-SADC transactions.
- Use of existing infrastructures wherever possible – banks choose providers.
- Use of international standards to ensure interoperability.
- Invest for straight-through processing.
- Each country will keep its own currency and financial infrastructure.
- Initial regional settlement currency will be the ZAR.
- Start with Common Monetary Area and build out.
- Cross-border cheques will be phased out.

BENEFITS OF SADC-RTGS FOR COMMERCIAL BANKS

Only commercial and central banks can be participants of the SADC-RTGS. Banks pre-fund their accounts at the SADC-RTGS. This eliminates settlement risk for intra-SADC transfers. As a result, the system offers increased security and reach for the 82 participating banks that are connected to the SADC-RTGS. A complete list of the participating banks in each SADC country is provided on pages 6 and 7 of this newsletter.

PARTICIPANT BANKS BENEFIT FROM:

- the SADC-RTGS' processing of real-time, immediate, final and irrevocable transactions;
- reduced costs because of harmonised processes and international standards;
- the lowering costs for SADC transactions cleared on an immediate basis (TCIB) remittances, as the SADC-RTGS is the settlement platform for intra-SADC low-value transfers;
- real-time notifications in the case of errors or when an account is not funded; and
- access to the SADC-RTGS web's running dashboard (position monitor) which shows running balances in participants' accounts in real time.

BENEFITS OF SADC-RTGS FOR BUSINESS AND PERSON ON THE STREET

SADC-RTGS offers the following benefits to businesses transacting in the SADC-RTGS and, in turn, to people in the SADC region:

- Faster payment services across the broader SADC region.
- Easier to transact across borders.
- The displacement of cash and the requirement for cash exchange.
- Improved safety and security.
- Enhanced pricing transparency.
- Uniform ways of making payments and payment instruments.
- The ability to compare services, which leads to the use of efficient and cost-effective solutions.
- The option to cash out immediately or hold on until the exchange rates appreciate.



RTGS

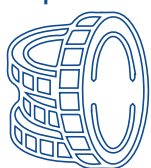
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SETTLEMENT CURRENCIES

At present, SADC-RTGS settles cross-border payments of participating banks in the SADC region in ZAR. However, the process of including the US dollar as an additional settlement currency is underway. There is also the possibility of other currencies being included in the future.



PARTICIPATING BANKS & COUNTRIES

ANGOLA

Banco BAI

BOTSWANA

First National Bank
Stanbic

DEMOCRATIC REPUBLIC OF THE CONGO

RawBank

ESWATINI

First National Bank of Swaziland
Nedbank Swaziland Limited
Swaziland Active Development
and Savings Account
SwaziBank
Stanbic
Central Bank of Eswatini

LESOTHO

Central Bank of Lesotho
First National Bank
Lesotho Post Bank
Nedbank Lesotho
Standard Lesotho Bank

MALAWI

CDH Investment Bank
Ecobank Malawi Limited
First Capital Bank
FDH Bank Limited
IndeBank
Investment Bank
National Bank of Malawi
NBS Bank
Nedbank Malawi Limited
New Finance Bank Malawi
Opportunity Bank
Reserve Bank of Malawi
Standard Bank Limited - Malawi

MAURITIUS

Barclays Bank plc
Standard Bank (Mauritius) Limited
Mauritius Commercial Bank Limited
Standard Chartered Bank (Mauritius) Limited

MOZAMBIQUE

Banco Mais
Barclays
First National Bank
Moza Banco
Standard Bank
Banco Unico

NAMIBIA

Bank Windhoek
First National Bank of Namibia
Bank of Namibia (central bank)
Nedbank Namibia
Standard Bank Namibia

SEYCHELLES

Central Bank of Seychelles

SOUTH AFRICA

Absa
Bidvest Bank
Citibank
HSBC Bank
Investec
First National Bank
First Rand Bank Limited
Nedbank
Standard Bank of South Africa
Standard Chartered Bank South Africa
Societe Generale
South African Reserve Bank

PARTICIPATING BANKS & COUNTRIES (CONTINUE)

TANZANIA

Barclays Bank Tanzania Ecobank Tanzania
First National Bank Tanzania Limited
Stanbic Bank Tanzania Limited
Standard Chartered Bank
National Bank of Commerce (NBC)

ZAMBIA

BancABC
Bank of Zambia (central bank)
Barclays Bank plc Zambia
Cavmont Capital Bank Limited
Ecobank Zambia
Finance Bank
First National Bank Zambia Limited
Stanbic Bank Zambia Limited
Standard Chartered Bank Zambia Limited
Zambia National Commercial Bank Limited (Zanaco)

ZIMBABWE

Agricultural Bank of Zimbabwe Limited
BancABC
Barclays Bank Zimbabwe
Central Africa Building Society (CABS)
CBZ Bank
Ecobank Zimbabwe Limited
FBC Bank Limited
MBCA Bank Limited (Nedbank)
NMB Bank Limited
Peoples Own Savings Bank
Stanbic Bank
ZB Bank
Standard Chartered Bank
Steward Bank Limited



PERFORMANCE OF THE SYSTEM TO MARCH 2019

During March 2019, the SADC-RTGS processed 28 273 transactions to the value of R112.24 billion. The average number of transactions processed per day was 1 414, representing an average value of ZAR5.61 billion.

The total number of transactions settled to date is 1 384 298, representing a value of ZAR5.63 trillion (USD 386.01 billion/EUR 343.83 billion)*. The highest volume of transactions recorded was 32 059 transactions in October 2018, and the highest value recorded was ZAR119.53 billion in August 2017.

At present, there are 14 participating countries (South Africa, Lesotho, Eswatini, Namibia, Malawi, Mauritius, Mozambique, Tanzania, Zambia, Zimbabwe, Seychelles, Botswana, Angola and DRC) with a total of 81 participating banks, made up of 7 central banks and 75 commercial banks.

** Exchange rate as at the end of March 2019 as per SARB published rates:
USD/ZAR 1:14.5968 and EUR/ZAR 1:16.3878*



SUCCESS stories



One of the success stories in the SADC region is the implementation of the SADC-RTGS system. It is testament to how payment harmonisation contributes to improve the lives of SADC citizens.

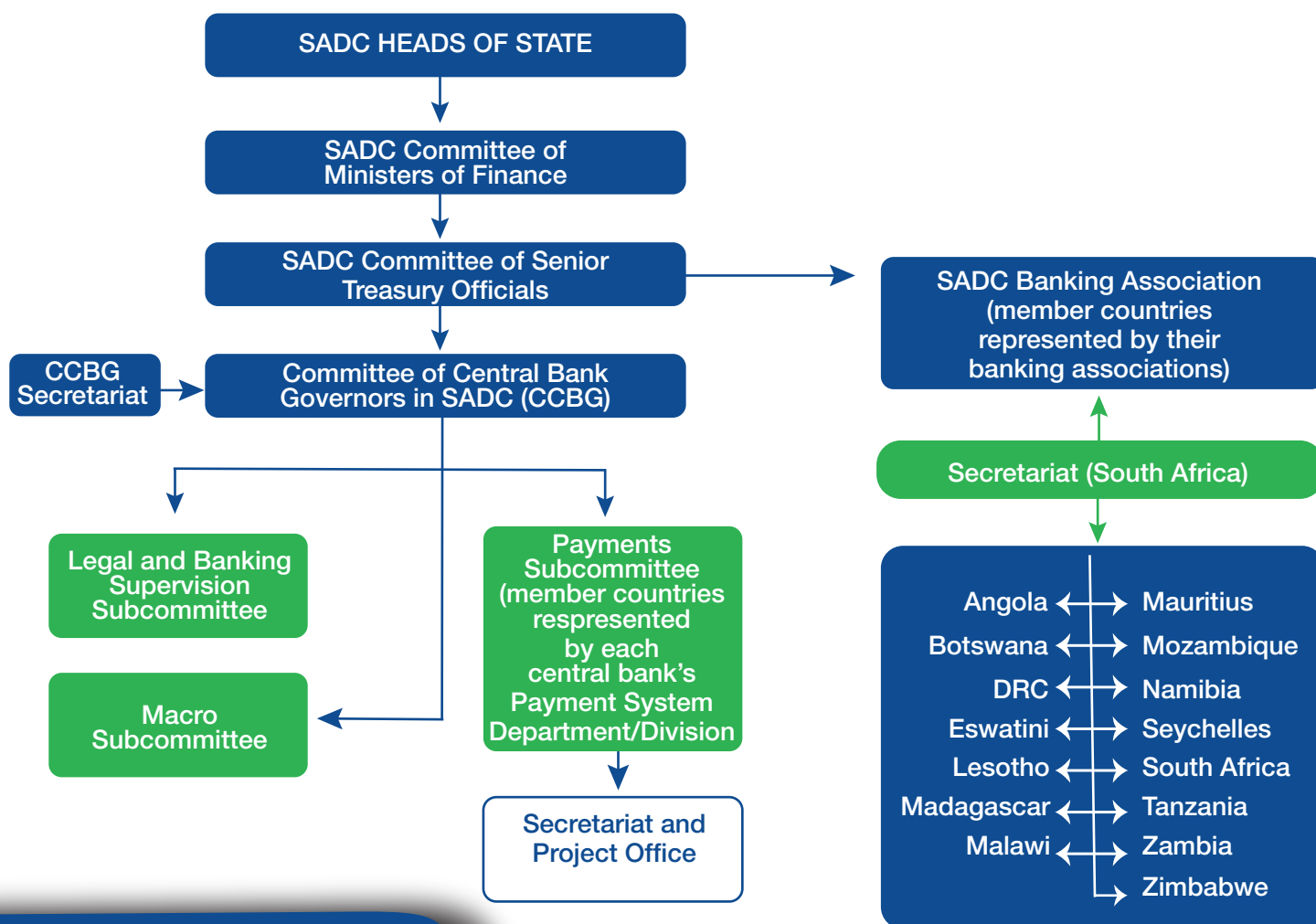
The SADC-RTGS is an electronic central payment system that facilitates cross-border trade in the SADC region, currently dealing exclusively in ZAR payments. It excludes domestic interbank payments and settlements. This platform allows for SADC-RTGS participating banks to facilitate financial flows and settle regional transactions within SADC countries on a gross basis and in real time. The system is operated by the SARB on behalf of the SADC Committee of Central Bank Governors (CCBG), and also acts as the ZAR settlement bank. It is a safe and efficient payment/settlement system which reduces costs to banks since there is no correspondent bank (intermediary) involved. All banks in all of the live countries can send and receive payments directly from any of the other banks operating accounts in the SADC-RTGS. This means that banks in the region can manage liquidity better in one account rather than having nostro accounts at various banks. The system also reduces the time in which beneficiaries access funds.

SADC-RTGS participants currently hold pre-funded ZAR accounts in SADC-RTGS, namely real-time line (RTL) accounts and continuous processing line (CPL) accounts. Once low-value payments go live, they will be able to hold continuous batch processing line (CBPL) accounts. Only commercial banks and central banks can be participants in the SADC-RTGS.



INSTITUTIONAL arrangements

SADC BA & Payments System Subcommittee: WHO WE ARE



How to become a
SADC-RTGS
participant

Please contact:
Ms Alison Sloane
MANAGER: OPERATIONS
SADC BA PAYMENTS PROJECT



Email: alisons@sadcbanking.org



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**FOR
MORE
INFORMATION**

Contact your respective
central bank and banking
association.

IN THE NEXT ISSUE:

- Institutional arrangements: structures and governance
- User group in Mozambique
- Business relationships engagement
- Notable events
- Business models
- Projects



NEWSLETTER

