

New Payments Industry Body

PIB Design Principles version 2.0

Signed off on 21 January 2022

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Preamble

The NPS is made up of interoperable payment systems and the associated network effects. These, inter alia, promote the national policy objectives of safety, security, interoperability, efficiency, competition and financial inclusion.

To remain relevant and be sustainable it is recognised that the NPS management structures need to be inclusive of all payment participants and service providers, not only to prevent fragmentation of payment systems but also to leverage the power of payments digitisation and modernisation to better serve the needs of the economy and society in general.

An inclusive Payments Industry Body (PIB) needs to be designed to meet all these requirements.

It is further imperative that the envisaged PIB is endowed with the existing “know how”, well-functioning systems, rules, procedures and regulatory frameworks managing the operations of the NPS and that these assets are further developed over time through greater industry participation with appropriate regulatory recognition.

Balance of Rights and Obligations Principles



Design Principles

DP 1. Balance of Rights and Obligations

DP 1.1

Mandate must **support** inclusivity of all payment participants and equal and fair access and opportunity according to activity (level playing fields)

DP 1.2

The PIB should facilitate equitable outcomes (via equal access and opportunities) for participants

DP 1.3

Activity based participation: Seat at the table determined by the objectives of the table. Formal consultation with interested parties who do not have a seat

DP 1.4

Robust consultation to ensure the minority and dissenting voices are heard.

DP 1.5

Proportionate rights and obligations:
Funding is based on activity and risk, as are rights and obligations

DP 1.6

The PIB decision making process must have controls to ensure that a single category cannot dominate the others

DP 1.7

Activity based participation: 'Seat-at-the-table' rights change as the NPS Act changes and opens up access to clearing and / or settlement

DP 1.8

Decision-making process should be substantially and procedurally fair, consultative, with ability to escalate or appeal

DP 1.9

Decision making should be governed by a Delegation of Authority to appropriately capacitated forums

Mandate Design Principles



Design Principles

DP 2. Mandate

DP 2.1

Mandate anchored in supporting national policy goals but focused on payment interoperability of the NPS

DP 2.2

Hierarchical Mandate that first recognises national policy objectives and then member interest

DP 2.3

The PIB does not promote commercial interests and does not become involved in commercial negotiations or price setting

DP 2.4

Appropriately mandated/recognised to have the required powers. This includes mandatory membership for payment services providers and participants

DP 2.5

PIB mandate must authorise it to act in the interest of the greater good of the NPS (e.g. Capacity Building, Consumer education)

DP 2.6

The work and outputs of the PIB incorporate the contribution of the PIB as well as its members

DP 2.7

The PIB rules must be enforceable

DP 2.8

The PIB creates an environment to discuss future changes to Payment Systems; the future of Payment Systems is not part of the PIB design

DP 2.9

The PIB additionally has an advocacy and facilitation role to promote regional and international interoperability

DP 2.10

Legal certainty must underpin all activities where risk transfers from one party to another

Membership Design Principles



Design Principles

DP 3. Membership

DP 3.1

Associations and individual parties can hold membership

DP 3.2

Different categories of membership to facilitate equitable and proportionate participation, rights and obligations

DP 3.3

Members must see benefit for their membership fees and participation

DP 3.4

Mandatory membership should be subject to the SARB's NPS licensing requirements. Voluntary membership where licensing is not a requirement

DP 3.5

Single "house" for all interoperable payments participants in the market and for all service providers (not causing fragmentation)

Organisation Design Principles



Business and Operating Model Principles

DP 4. Business and Operating Model Principles

DP 4.1

Structures must add the right value by functioning on the right levels of work (right people, doing the right work at the right level)

DP 4.2

Executive Office
(encompassing full staffing complement) appropriately and efficiently capacitated to fulfil functions to desired level/standard

DP 4.3

The PIB's new operating model must drive efficiency, automate and digitise administrative and recurring operational functions

DP 4.4

The PIB must have the ability to adapt itself to remain relevant and to improve on decisions made in the PIB Design process

Transition Design Principles



Design Principles

DP 5. Transition

DP 5.1

Where there is doubt, functions are moved intact and then reviewed within the PIB. The PIB must have ability to review and reform as required

DP 5.2

Create a safe transitioning environment for people employed in industry capacity

DP 5.3

Major projects and initiatives to transition without loss of momentum

DP 5.4

Balance the need to provide continuity; preserve legal certainty; and maintain risk management; with the need to also encompass new capabilities and processes

DP 5.5

Continuity of existing legal constructs (e.g. PCHs) and supplier arrangement; re-use office and IT infrastructure as far as possible

DP 5.6

The transition brings risk and must be managed as a change programme

DP 5.7

Utilise existing resources, capacity, processes as far as possible, but build processes for change and reform into the PIB



DP 6. Governance

The principle of adherence to King IV still applies and is fleshed out in more detail below

General Principles

DP 6.1

Board/board members must act independently with unfettered discretion, due care, skill and diligence

DP 6.2

Activities, processes and decision-making must ensure transparency, legitimacy, fairness, accountability

DP 6.3

The board should have a membership inclusive approach that balances the legitimate needs, interests and expectations of all members (and stakeholders)

Board Mandate

DP 6.4

Fiduciary duty to act in best interest of NPS, and achieving national policy objectives, while representing the interests of its members

DP 6.5

Board members should lead ethically and effectively to ensure:

- Ethical culture
 - Good performance
 - Effective control
 - Legitimacy
- (i.e. to ensure effective outcomes)

Board Composition

DP 6.6

Reflective/representative of membership categories balanced with independence (i.e. independent board members)

DP 6.7

Balanced in knowledge, skill, experience, diversity and independence

New Payments Industry Body

PIB Functions & Scope version 3.0

Signed off on 8 April 2022

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Consolidated overview of Functions of the PIB



Consolidated functions of Payments Industry Bodies



Functions performed by global PIBs are typically a combination of the below five areas

F 1. Payment System Management

F 1.1 Rule Setting

- F 1.1.1 Interoperability rules
- F 1.1.2 Settlement rules
- F 1.1.3 Scheme rules
- F 1.1.4 Dispute resolution relating to interoperability rules

F 1.2 Standard Setting

- F 1.2.1 Technical Standard setting – Payment initiation layer
- F 1.2.2 Message standard setting – clearing
- F 1.2.3 Standard setting – Customer Authentication

F 1.3 Risk Management

- F 1.3.1 Identification and monitoring of payment system risk
- F 1.3.2 Risk remediation / mitigation actions

F 1.4 Compliance Management

- F 1.4.1 Monitor compliance
- F 1.4.2 Enforce compliance & Administer Sanctions

F 1.5 Administrative Support

- F 1.5.1 Member administration
- F 1.5.2 Secretarial functions
- F 1.5.3 Ensuring coordination and management in participant groups

F 2. Payment System Operations

F 2.1 System Operator

- F 2.1.1 Technology and infrastructure provider
- F 2.1.2 Product Management & Clearing services
- F 2.1.3 Operations, performance and health monitoring

F 2.2 Operational Support

- F 2.2.1 Crisis and incident Management
- F 2.2.2 Business Continuity Management

F 3. Industry Support

F 3.1 Capacity Building

- F 3.1.1 Payments professional certifications
- F 3.1.2 Consumer and user education and awareness
- F 3.1.3 Conference & events management
- F 3.1.4 Training of payments professionals

F 3.2 Strategy Development

- F 3.2.1 Payment strategy dev.

F 3.3 Thought Leadership

- F 3.3.1 Payments strategic research/ market analysis / best practices
- F 3.3.2 White paper contribution

F 3.4 Payment Statistics

- F 3.4.1 Collate payment statistics
- F 3.4.2 Analyse and publish

F 3.5 Industry Facilitation

- F 3.5.1 Support and facilitation for policy clarification
- F 3.5.2 Support and facilitation for policy implementation
- F 3.5.3 Query management

F 4. Project Management

F 4.1 Project Delivery

- F 4.1.1 Project design, management and implementation through coordinating participant build, test and go-live activities
- F 4.1.2 Payment innovations platform (e.g., sandbox, innovation hub)

F 5. Industry Representation

F 5.1 Industry representation

- F 5.1.1 Consultative services - Input to regulators / policy bodies (Including policy paper contribution & advocacy for the industry)
- F 5.1.2 Stakeholder & member collaboration management

Function 1 Payment System Management





F 1. Payments System Management

F 1.1 Rule setting

Proposed Rules differentiation *



Interoperability rules: PIB (Interoperability across PSOs)	Scheme and operator rules: PSO (Ability to clear and operate within a scheme)
Reference common messaging standards	Technical specifications
Agree mandatory and non-mandatory transaction types for the local market	Operational flows and rules
Common definitions of elements impacting interchange in support of SARB work	Message standards
Ensure common management of issues: fraud, system issues, user errors	Security standards
Ensuring adequate consumer protection	Commercial elements, including penalty charges and processing fees
Processes for changing rules or enhancing systems	Product definitions and standards, including user experience
Local variations on international scheme rules	There may be overlaps to some extent with PIB rules. If there is a contradiction, PIB rules should supersede the PSO rules.
PIB rules and/or multilateral agreements and/or sponsor bank agreements per the prevailing regulatory regime	Individual agreements between PSOs and participants





F 1.1.1 Rule Setting – Interoperability rules

Definition

Interoperability is the technical, process and legal compatibility that enables multiple parties to participate in a payment system. Interoperability rules refers to a set of rules to ensure interoperability across payment systems, such as common messaging standards, standardized set of transaction types, common rules for management of issues etc. It also involves the process for adapting the international scheme rules or enhancing systems to ensure local applicability

Who does it today?



Issues today

- Lack of transparency of rules beyond clearing participants
- Lack of consultation with other interested parties

Decision point

Who manages interoperability rules?
As per the design principles the rule setting process requires transparency and consultation.



Possible Options

Option 1:

PIB not involved in the interoperability rules

Option 2:

PIB to continue with the interoperability rules, however, refine the process to make it more transparent and consultative



✓ Recommendation

Initial recommendation rationale

The interoperability rules need to be set by a party other than PSOs to ensure interoperability in the scenario where there are multiple PSOs active in the same payment stream. This means interoperability rules either need to be managed by the SARB or the PIB. It makes sense for interoperability rules to be determined by clearing system participants, hence the preference for the PIB to house this activity. Rules may embed certain regulatory goals (e.g., safety, soundness, integrity, resilience of the system and consumer protection) and rules may also include technical standards.

The current issue of lack of transparency is the driving factor for recommending a more consultative process. Design principles enshrine the need for appropriate consultation and a robust decision-making process.

A rule-setting body must have a transparent and consultative decision-making process. In this regard, the PIB needs to design a robust decision-making framework to be followed for decisions impacting a large number of stakeholders.



F 1.1.2 Rule Setting – Settlement rules

Definition

Settlement rules governs the activities to fulfil the financial obligations, such as those arising from clearing activities

Who does it today?



Issues today

PASA settlement rule writing for SARB

Decision point

None. Already decided that settlement rules will be moved to SARB.

Possible Options

Option 1:

All settlement rules to be moved to SARB. ✓
 Certain SAMOS rule setting, for example high value payment interoperability rules, may be outsourced to PIB.

Initial recommendation rationale

It has already been decided that settlement rules will be moved to SARB. Exactly what this means in the current structures still needs to be unpacked between all impacted parties.

To support the decision, in most of the countries studied, we have observed that the central bank provides the settlement rules as well as performs the function.

✓ Recommendation



F 1.1.3 Rule Setting – Scheme rules

Definition

Rules or framework pertaining to a specific payment product or scheme which cover a variety of elements including commercial arrangements, branding, product functionality and roadmaps, loyalty and rewards etc. that the scheme members / participants need to comply with.

Who does it today?



EFT, RTC, Collections- Pasa
RPP – Bankserv
Cards - Mastercard, Visa,
American Express, Diners Club

Issues today

Lack of consistent model in ownership of rules / product development between Bankserv and Pasa


Decision point

Should we impose more consistency in who sets product / scheme rules?



Possible Options

Option 1:

Scheme rules - Operator 
Interoperability across operators - PIB
Consistent conduct across operators - PIB
Ensure scheme does not add unacceptable risk and adheres to NPS objectives - PIB
(i.e. all payment streams move to card model)

Option 2: As-Is

Scheme rules – could be with operator or PIB
Interoperability across operators - PIB
Scheme governance and assurance - PIB
Consistent conduct across operators - PIB
(i.e. current status)

 Recommendation

Initial recommendation rationale

There is nothing explicit in the design principles which determine the preferred option; however, the South African market, with RPP, is seeking to do things differently and local experience suggests that the new model should be given a chance.

Hence to have a harmonised approach, it has been recommended that all payment product operators will transition to a scheme-like setup and define the relevant product rules. The transitions will need to be planned and gradually undertaken.

Further to this, The PIB will develop an appropriate framework to ensure that there is consistency being maintained across all operators, to promote interoperability. The PIB will also perform governance and assurance activities for the schemes.

F 1.1.4 Rule Setting – Dispute resolution relating to interoperability rules (i.e. interpretation of rules)



Definition

This refers to the facilitation of a process to resolve any disputes or conflicts arising between the participants in the interpretation and / or implementation of the interoperability rules defined by PIB. It includes the dispute management, dispute resolution and mediation* process.

Who does it today?



Issues today

None

Decision point

Who is best placed to drive interpretation of interoperability rules or update them?

Possible Options

Option 1:

Rule maker must drive interpretation of rules or update them (as may be required)

Rule maker assists with interpretation and specific guidance



Option 2:

Option 1 + for Scheme rules - PIB serves as a mediator if scheme owner is unable to resolve

Initial recommendation rationale

It is important for the rule maker to have mandated authority to ensure better conflict resolution.
Principle of the rule maker becomes the enforcer is applied.



Revised Recommendation

* In the given context, Mediation refers to a process of facilitating a discussion between the parties to reach a non-binding agreement. 18



F 1. Payments System Management

F 1.2 Standard
setting

F1.2.1 Technical standard setting - Payment initiation layer



Definition

This refers to the technical standards for payment initiation layer to ensure interoperability. For e.g., QR code standardisation, Payment API standardisation, biometric standards for payments, etc.. Specifically excluded from this definition are payment message formats.

Who does it today?



Issues today

- No Specified Mandate
- PASA's Involvement only on request of Members (voluntary basis) or SARB

Decision point

Should PIB have a mandate to look at interoperability of payment initiation methods?



Possible Options

Option 1: Voluntary basis

- PIB only involved on request of its members in creating standards
- Standard adoption on voluntary basis (non-mandatory for the participants)

Option 2: Membership Driven

- PIB mandated to consult with the members to define payment initiation standards, once defined adoption to be mandated

Option 3: Regulatory driven

- PIB follows SARB's instructions on implementation of standards
- Standards set by PIB are mandated on the industry participants

Option 4: Hybrid (Membership + Regulatory driven) ✓

- PIB mandated to consult with the industry to define payment initiation standards.
- SARB can also instruct PIB for implementation of standards.
- Once standards are defined adoption could be mandated

✓ Recommendation

Initial recommendation rationale

Payment initiation standards should be mandated to provide interoperability and are intended to prevent fragmentation of payment systems. If, for example, payment initiation mechanisms are not aligned with common technical standards, then the effect is the same as a fragmented payment system, as the user must distinguish between different service providers for the same process.

Depending upon the type of standards, it could either be industry-driven (e.g., QR code standardisation) or SARB instructed (e.g., API standardisation in case of open banking).



F 1.2.2 Message standard setting - Clearing

Definition

This refers to the standards for payments system clearing processes. Example – Clearing File exchange formats, Message formats, Security requirements, liquidity management, BCP, redundancy, etc.

Who does it today?



Issues today

None

Decision point

Should PIB act as standard authority (i.e. registration of standards with PIB to ensure global alignment)?

Possible Options

Option 1:

Continue as is (PSO define the clearing standards, No involvement of PIB)

Option 2:

PSO defines the clearing standards. PIB has standard authority (i.e., registration of standards with PIB to ensure SA aligns with global standards as far as possible and to ensure interoperability).



✓ Recommendation

Initial recommendation rationale

Standards are part of the payment product run by the PSO, but in keeping with the interoperability principle, must be aligned across PSOs (in the same payment stream) and be consistent with the global best practice.

PIB may have to register itself as a standard authority to ensure that its members or participants in the respective payment systems adhere to those standards to ensure global alignment.

F 1.2.3 Standard setting – Customer Authentication



Definition

The function covers Authorization and Authentication for the Payer (funding party) in any payment related activity including in-store, ecommerce, recurring payments, once off payments and bill payment between all parties. It includes authentication of a participant in the payment system, authorisation of a transaction, getting access to cash, mandating future transactions, access to personal payment information or changing details about payments such as payee details, adding beneficiaries and more. This therefore will affect financial and non-financial transactions.

Who does it today?

Card schemes; Issuers; Merchants; PASA, Bankserv, FSCA

Issues today

Non face to face DebiCheck mandates, Considerations arising from Open Banking & screen scraping

Decision point

What role should the PIB play in setting standards for customer authentication

Possible Options

Option 1:

Point of Acceptance/PSO/PSP and Account Provider/Store of Value set standards

Option 2:

PSO's and Issuers/Account Providers set this for their Rails. (e.g., 3D Secure)

- The FSCA or SARB will define how customers/consumers should be protected and regulate that.
- PIB will then define the application of these principles across the different payment rails/PSO's



Option 3: PIB sets customer authentication standards

✓ Recommendation

Initial recommendation rationale

Initial recommendation is to continue largely as is, but with the PIB having the ability to get involved should the need arise.

The Acquirers / Acceptance represent the merchants receiving the money. The issuer of the payment instrument represents the end customers paying the money.

Traditionally these standards are set by the Account Providers/Issuers, since they are required to protect the customer and to create a consistent Authorization experience.

PIB should intervene in application of these standards across different rails / PSOs to create a consistent and secured customer experience.





F 1. Payments System Management

F 1.3 Risk
Management

F 1.3.1 Risk Management - Identification and monitoring of payment system risk



Definition

Risk management is the identification, evaluation, and prioritisation of risks in order to minimise, monitor, and control the interoperability or impact of any payment system risks. Example – stability risks, fraud and cyber-attack risks, the systematic impact of one payment player, etc. Risk monitoring is the process which tracks and evaluates risks within an environment.

Who does it today?



Issues today

Continuous enhancement of the Risk Framework is necessary

Decision point

Should the PIB continue as is for the risk management framework or are there any updates required?

Possible Options

Option 1:

Use the PASA Risk framework and enhance it to reflect the new scope of the PIB



Initial recommendation rationale

PIB to continue the current framework which is being utilised for identification and monitoring of payment system risks. The risk framework may have to be extended to address the new scope of the PIB and to include new players and their associated risks.

✓ Recommendation



F 1.3.2 Risk remediation / Mitigation actions

Definition

Risk mitigation in this context refers to remedial actions to remove or mitigate the risks which are identified through the risk monitoring. This is also a critical component of risk management and falls within the risk management framework

Who does it today?



Issues today

None. The risk function continues to mature and improve

Decision point

Should the PIB continue to manage risk remediation as part of its risk function?

Possible Options

Option 1:

Continue as-is – PIB forums identify and categorise risk to the NPS and manage and track remediation. Continual improvement of the risk processes themselves is in scope



Initial recommendation rationale

It is critical that risks identified through the risk monitoring are also managed and mitigated. To this end, the PIB needs to be able to manage that appropriate actions are taken to lessen risk to the NPS.

Where necessary, risk and the need for remediation will be escalated to the SARB.

The risk frameworks and processes should continually be assessed themselves, and mature and improve. They also need to cover all areas which are in scope for the PIB.

✓ Recommendation





F 1. Payments System Management

F 1.4
Compliance



F 1.4.1 Compliance – Monitor Compliance

Definition

This function indicates PIB's capability (or mandate) to monitor compliance on regular intervals **for the rules defined by PIB**. This monitoring can be in the form of risk data monitoring, member attestations, member reviews and timely submission of performance reports amongst other mechanisms.

Who does it today?



Issues today

Lack of compliance monitoring, issues are currently dealt based on complaints raised by others (Reactive approach)

Decision points

Should the PIB build capacity to monitor compliance to PIB rules?
Does the PIB only monitor compliance of sponsor banks or of all members?



Possible Options

Option 1: As is

Continue as is (Reactive approach, compliance by sponsor bank model)

Option 2: PIB Mandated

- PIB to build appropriate and proportionate capacity to develop and monitor compliance data and other mechanisms as may be needed
- PSO responsible for ensuring compliance for their respective schemes

Option 3: PIB Mandated

- PIB to build capacity and conduct regular reviews/audits
- PIB continue to follow sponsorship model for compliance
- PSO responsible for ensuring compliance for their respective schemes

Option 4 : Other Body Mandated

Another body mandated by SARB/ regulator (or the regulator themselves) to build capacity and conduct regular reviews/audits

✓ Recommendation

Initial recommendation rationale

Design Principles require PIB rules to be enforceable, therefore, compliance monitoring is required.

The body which creates the rules should ideally monitor those rules; it does not make sense for a separate body to monitor rules created by the PIB.

All PIB members should be monitored directly for adherence to rules, not just sponsor banks. However there should be a balance between the cost of the monitoring tools and the benefits of the risk reduction which would be achieved.

PIB will also need to build capabilities and processes to ensure sound monitoring functions are performed on regular basis.

F1.4.2 Compliance – Enforcement and Sanction Administration



Definition

This function indicates the capacity to enforce compliance on member / non-member participants by means of taking punitive actions such as reprimands, penalties, suspension of member rights, administering sanctions amongst other compliance enforcement mechanisms.

Who does it today?



Issues today

Difficult when a member-based organisation applies sanction. Sanction is often insufficient to change behavior.

Decision point

Who will investigate and enforce compliance / sanctions? Should PIB be involved in compliance enforcement and to what extent?

Possible Options

Option 1 PIB driven + SARB approved:

PIB investigates & undertakes enforcement actions (e.g. remediation, warnings with deadlines for compliance) Post which, PIB to recommend sanctions (Penalties, Termination, Revocation, Suspension) to SARB and enforced by PIB post approval from SARB

Option 2 PIB investigates & SARB enforces sanctions*:

PIB investigates & undertakes enforcement actions (e.g. remediation, warnings with deadlines) Post which, case referred to SARB to ascertain and enforce sanctions (Penalties, Termination, Revocation, Suspension)



Option 3 SARB only:

No involvement of PIB (SARB to conduct independent investigations, enforcement & Sanctions)

Initial recommendation rationale

The Design Principles require the PIB to be a member organisation, a situation that creates a very uncomfortable dichotomy if it is also required to sanction its members. By the same token, the rules must be enforceable, transparent, and consistent.

The proposal, therefore is that the PIB identify non-compliance, agree on a remediation route to compliance with its member and only escalate for sanction to the SARB should remediation fail.





F 1. Payments System Management

F 1.5 Administrative
Support

F 1.5.1 Administrative Support -Member administration



Definition

Administrative support includes management of the activities and coordinating the efforts of its members to accomplish its objectives. It includes activities such as onboarding / offboarding member organisations, invoicing, member communications, member management, etc.

Who does it today?



Issues today

- Very manual member administration processes.
- Website redesign to increase automation in progress

Decision point

Internal process improvement area for PIB

Possible Options

Option 1:
Continue as is



Initial recommendation rationale

A member-based organisation needs to have the ability to onboard, invoice, and communicate with its members.

PIB to continue the current framework which is being utilised for member administration, but to focus on efficiencies, automation and support for documentation (website enabled). As per Design Principles, the PIB must be appropriately equipped to deliver its mandate.

✓ Recommendation



F 1.5.2 Administrative Support - Secretarial functions



Definition

This refers to the activities for supporting management including executives using a variety of project management, communication, or organisational skills. It includes activities such as taking notes, organising meetings, distributing minutes and meeting documentation etc.

Who does it today?



Issues today

Review of quality of work ongoing and outputs largely positive. Concerns about capacity if there are more forums

Decision point

Internal capacity building area for PIB

Possible Options

Option 1:
Continue as is



Initial recommendation rationale

Much of the outcomes of a PIB are progressed in a collaborative environment (committees/workgroups) where discussions and decisions need to be recorded.

Consistent secretarial functions performed at acceptable standards are required for an organisation with the responsibility for industry rule making.

PIB will continue the current framework which is being utilised for secretarial functions.

✓ Recommendation

F 1.5.3 Administrative Support - Ensuring coordination & management in participant groups



Definition

This refers to the activities for supporting participant groups using a variety of project management, communication, or organisational skills. It includes activities such as taking notes, minutes, agenda finalisation, organising meetings, etc.

Who does it today?



And Members

Issues today

Members chair participant groups, PASA does minute taking and meeting logistics. PASA often prepares work related to agenda items.

Decision point

Internal process improvement area for PIB

Possible Options

Option 1:
Continue as is



Initial recommendation rationale

Current experience suggests that an expert chairing operational and strategic forums leads to better outcomes.

PIB will continue the current framework which is being utilised for ensuring coordination and management in participant groups.

✓ Recommendation

Function 2 Payment System Operations





F 2. Payment System Operator

F 2.1 System Operator

F 2.1.1 System Operator - Technology and infrastructure provider



Definition

The Payment System Operators (PSOs) provide technology and infrastructure for running and operating the payment systems. (Example – Bankserv, Visa, Mastercard)

Who Does it today?



Issues today

Do PSOs have the right authority to enforce security and connectivity standards?

Decision point

Does the PIB play a role in managing risk associated with the operations of PSOs?

Possible Options

Option 1:
Continue as is (No PIB involvement)

Option 2:
PIB manages operator risk introduced into the system and reviews operator risk frameworks.



Initial recommendation rationale

PSOs should be able to define the security & connectivity requirements specific to their product/rails.

The operator risk framework should provide for the appropriate forum(s) to debate risks and mitigation requirements.

✓ Recommendation





F 2.1.2 System Operator - Product Management & Clearing services

Definition

Product Management - New product development, business justification, planning, verification, forecasting, pricing, product launch, and marketing etc. for setting up payment rails/ systems

Who Does it today?



Issues today

None

Decision point

Should the PIB ensure adequate risk management?

Possible Options

Option 1:
Continue as is (No PIB involvement)

Option 2:
PIB manages risk introduced into the NPS by product management and clearing services



Initial recommendation rationale

Product management and clearing services should be performed by the PSOs. However, product development and innovation are areas where multiple expertise entity involvement is important to capture a holistic view, and presumably PSOs would engage directly with their clients in this regard.

The PIB should monitor and manage any risks which are introduced into the NPS through payments products and payment clearing activities, using the PIB risk frameworks.

✓ Recommendation



F 2.1.3 System Operator - Operations, performance and health monitoring



Definition

Operations (e.g., window extension), performance monitoring (e.g., tracking issue logs) and overall health monitoring (e.g. decline ratios, frauds, cyber-attacks, dispute ratios, settlement risks etc) of the payment systems.

Who Does it today?



Issues today

Issue with members not always reporting incidents in a timely fashion.

Decision point

Should PIB be involved in monitoring & managing performance of payment systems?

Possible Options

Option 1: PSO + PIB

For members/participants, PSOs are responsible for setting KRA / KPI and monitor performance of members/participants

- Initial remediation of participants attempted by PSOs, non-remediated / continued poor performance reported to PIB; PIB mandated to intervene / take compliance actions on PIB members. Primary reporting line of participants is to PSO.

- For PSO's, PIB is responsible for setting KRA / KPI and monitor performance of PSOs

Option 2: PIB only

PIB is responsible for setting KRA / KPI and monitoring performance of PSOs and members, PIB mandated for remediation of poor performance across all

Initial recommendation rationale

PSO should monitor and remediate performance of their members / customers / participants.


Only in instances where the PSO cannot resolve the matter should it be escalated to the PIB.

The PIB, however, can hold the PSO responsible for their overall performance.

PIB takes a view of the overall health of the various payment systems.

✓ Recommendation





F 2. Payment System Operator

F 2.2 Operational Support

F 2.2.1 Operational Support – Crisis and incident Management



Definition

Crisis management is the process by which Payment Participants deals with a disruptive and unexpected event that threatens to harm the payment systems or impacts users of the system. Example – system failures

An incident is an event that could lead to loss of, or disruption to payment system operations, services or functions
Example Cyber-attacks, duplication of a payments file

Who Does it today?



Issues today

None

Decision point

Should this sit with the PIB or with the PSO?

Possible Options

Option 1 PIB + PSO driven:

Crisis and incident management framework (or design) by PIB and implementation by PSOs. PSOs to provide relevant data with PIB for second line of assurance



Option 2 PSO's Only:

Framework and implementation by PSO

Option 3 PIB only:

Framework and implementation by PIB

Initial recommendation rationale

Incidents in the payment system can be generated by a range of parties from users through to the PSO. When they impact the interoperable payments space, they need a coordinated response across all involved parties. Without a framework, a PSO could argue that where an incident is not of their making and does not affect their operations, they do not get involved in the resolution. The interoperable payments crisis and incident management framework must distinguish between incidents and crises.

Incident Management to be performed by PSO and other entities in the ecosystem in line with PIB frameworks and to report back on root cause on material incidents. There should also be efforts to capacitate incident communication (not root cause reporting) to be more real-time.

39

✓ Recommendation



F 2.2.2 Operational Support – Business Continuity Management



Definition

The capability of an organisation to continue the delivery of products or services at pre-defined acceptable levels following a disruptive incident.

Example – Backup plan in case the data centers become non-operational due to natural or otherwise occurrence

Who Does it today?



Issues today

None. SARB oversees testing of BCP

Decision point

Should PIB be involved in overseeing the testing of BCP for payment operators?

Possible Options

Option 1:

SARB oversees testing of BCP for settlement (as is), PSO to perform relevant BCP tests for their respective rails; if delegated by SARB, PIB can oversee testing



Option 2:

PIB oversees testing of BCP

Initial recommendation rationale

If the function is currently performed by another party, unless there is a very strong motivation for change, it should not be considered as part of the PIB. SARB is currently overseeing the testing of BCP and there is no strong reason for further PIB involvement in this.

✓ Recommendation



Function 3 Payment Industry Support





F 3. Industry Support

F 3.1 Capacity Building

F 3.1.1 Capacity Building- Payments professional certifications



Definition

This includes conducting various training programs for growing relevant payment expertise for individuals. E.g., PASA certificate in foundational payment, PASA advanced certificate in electronic payments, PASA advance certificate in high value payments.

Who Does it today?



Issues today

Current certification not NQF recognised. NQF accreditation can only be obtained through a professional body that is registered at SAQA. Currently no such body exist for payments related training.

Decision point

Should this function sit with the PIB?



Possible Options

Option 1 (as is):

PIB to continue with provision of training courses/programmes and to pursue NQF accreditation through a to-be-established professional body that sits separate (outside) the PIB



Option 2:

PIB becomes a Professional Body with professional membership and only accredits training through other parties - no provision of industry programme and seminars

Option 3:

PIB plays no role in capacity creation - no training and no seminars

Initial recommendation rationale

Payments training content is very specialised and constantly evolving. It makes sense therefore to retain it with the payments center of expertise. There are not many providers of payments training - PASA has already established a recognised profile for payments training.

NQF accreditation is something that must be pursued through a Professional Body. The PIB can play a role to establish such a body but cannot be the Professional Body and continue to provide training and seminars. If the PIB becomes a professional body itself, it cannot provide training anymore. It also holds potential for membership confusion (member of the professional body vs. membership of the PIB).

F 3.1.2 Capacity Building- Consumer and user education and awareness



Definition

This includes conducting capacity building activities to ensure end-user and customer awareness and education programs

Who Does it today?



FSCA, Banks for their clients, PASA for new payment systems

Issues today

PASA consumer education is ineffective and lacks funding and reach

Decision point

Should PIB actively educate public about payments systems to increase accessibility?



Possible Options

Option 1:

Attempt to educate consumers directly re specific payment issues

Option 2:

Training materials developed by Product Owner as per F 2.1.2. PIB to request for scheme / Product Owner to develop material where required. PIB can assist with the dissemination of the material.

Option 3:

No involvement in consumer education - leave it for users, banks and regulatory bodies

✓ Recommendation

Initial recommendation rationale

The PIB is unlikely to be a well-recognised entity for the general public. Consumer education should be driven by service providers (e.g., banks) and or regulators (FSCA) who are better known and more credible to the public. Moreover, it is expensive to launch education campaigns on a grand scale and directly with consumers.

F 3.1.3 Capacity Building- Conference & events management



Definition

PIB to give common platform for payment professionals in form of gatherings, conference and/or events on regular intervals

Who Does it today?



Issues today

Various service providers provide conferences of varying quality.
Fragmentation in promotion of the "payments dialogue"

Decision point

N/A

Possible Options

Option 1:
Continue as-is



Initial recommendation rationale

PIPC and the like have created a credible platform for payments professionals, irrespective of whether they work for current PASA members or others, and add meaningful value to the industry. This platform should be expanded to invite dialogue, drive innovation, education, and networking of payments professionals. The Design Principles reference functions for the good of the payment industry.

✓ Recommendation



F 3.1.4 Capacity Building- Trainings, Internships or leadership development



Definition

Training to payments professionals or internships, payments leadership development, mentorships to address the shortage of payment skills in the industry.

Who Does it today?

None

Issues today

Real shortage of payment skills in the industry. Certification courses alone are insufficient to train and develop skills

Decision point

Should PIB invest further in training payments resources for industry?

Possible Options

Option 1:

PIB to build capability to improve skilled payment capacity for the industry (Training programs, Education institution collaboration, create a shared knowledge repository, and may facilitate and support graduation intakes, according to member needs).



Option 2:

Internships and training provided as part of a Professional Body's qualification requirements (NQF accreditation)

Option 3:

No involvement of PIB

Initial recommendation rationale

The Design Principles state that the PIB should be good for the payments industry: a shortage of skills and many skills approaching retirement pose a risk to the broader sector, as well as to innovation.

The PIB support for internships (option 2) can be considered if a Professional Body supports/requires formal internship programs.

✓ Recommendation



F 3. Industry Support

F 3.2 Strategy development

F 3.2.1 Strategy Development- Payments Strategy



Definition

The Payments body defining the payments strategy or roadmap in alignment with NPS policy objectives and ensuring coordinated implementation.

Who does it today?



Issues today

No non-bank strategy voice; Top-down strategy from BASA, bottom up from PASA - effort to align

Decision point

Should the PIB have a strategy function? Should the PIB define roadmaps for payment system development?

Possible Options

Option 1:

Leveraging multiple regulatory vision documents, PIB mandated to define (in consultation with industry) a multiyear payments strategy for the country that draws up a development roadmap with initiatives



Option 2:

PIB to not have a strategy function (for the broader NPS and industry)

Initial recommendation rationale

As per the Design Principles, the PIB must align to policy objectives (e.g. Vision 2025) and should play a role in the implementation thereof. At the same time, other parties will have their strategies and views that need to align into a coordinated implementation plan to protect interoperability. To that end, the PIB needs to at least be able to align and coordinate different strategic perspectives into an implementable outcome for the NPS, without necessarily serving only the needs of individual members.

✓ Recommendation





F 3. Industry Support

F 3.3 Thought Leadership

F 3.3.1 Thought Leadership - Payments strategic research / market analysis / best practices



Definition

The payments body provides payments related research expertise including market data analysis, benchmarking, strategy recommendations and best practices for the industry.

Who does it today?



Issues today

Some research in institutions to support strategy. PASA lacks economist expertise in researching payments.

Decision point

Should the PIB invest in research capabilities?



Possible Options

Option 1:

PIB builds capability in strategic research and thought leadership and publishes the same at regular intervals



Option 2:

Not a PIB function, Industry to do its own research, PIB involved on voluntary basis

Initial recommendation rationale

The Design Principles mention the functions for the good of the industry, implying that the PIB needs to develop strategic research capabilities to ensure the latest thinking and best practices. The PIB should make this knowledge available and accessible to all members.

The PIB should also monitor and research global innovations in payments and leverage the same to benefit the South African landscape.

F 3.3.2 Thought Leadership – Whitepaper Contributions



Definition

The payments body timely publishes payments related research expertise to promote or highlight the features of a payments related trends, product, or service.

Who does it today?

Various

Issues today

Limited scope of activities are being performed by the entities

Decision point

Should the PIB invest in white paper contributions?

Possible Options

Option 1:

PIB capability to drive white paper consultations capability and publish relevant white papers on pertinent payment topics



Option 2:

Not a PIB function, Industry to do its own research, PIB involved on voluntary basis

Initial recommendation rationale

The Design Principles mentions the functions for the good of the industry, which implies the PIB needs to be up-to-date on the latest research and thought leadership. PIB members should also get value from their membership fees. The PIB should make this knowledge available and accessible to all members.

✓ Recommendation



F 3. Industry Support

F 3.4 Payments Statistics

F 3.4.1 Payments Statistics - Collate payments system statistics



Definition

The payments body undertakes necessary actions to timely collect payments system related statistics from the payment system operators and member organisations

Who does it today?



Issues today

Only done on an annual basis, 3 months after year end, not broadly published; lack of access to statistics hamper PASA strategy, tactics and reporting

Decision point

Should the PIB be mandated to collate payments statistics?

Possible Options

Option 1:
SARB continues (as is)

Option 2:
Option 1 + PIB mandated to collate timely reports and federated statistics from operators / members



Initial recommendation rationale

To both understand the health of the payment systems, but more importantly to assess the effectiveness of project interventions and to understand market trends, the PIB should be mandated to collate payment statistics and share them with members (part of the value add) on an aggregated basis that does not contravene competition act or POPIA.

✓ Recommendation



F 3.4.2 Payments Statistics – Analyse and publish payments system statistics



Definition

The payments body undertakes necessary actions to timely analyse and publish payments system related statistics, demonstrating health of the industry.

Who does it today?

None

Issues today

Lack of credible industry statistics hamper performance management and strategy management

Decision point

Should the PIB be mandated to analyse and publish payments statistics?

Possible Options

Option 1:

As is

Option 2:

PIB mandated to publish timely reports and statistics for the broader payments community



Initial recommendation rationale

Operator statistics only provide part of the picture when there are multiple operators in a particular payment stream (e.g., Card). The Design Principles talk to value for members of the PIB and credible statistics on the behavior of individual payment streams can add tremendous value to members, provided it is performed in a compliant manner.

✓ Recommendation





F 3. Industry Support

F 3.5 Industry facilitation

F 3.5.1 & F 3.5.2 Industry Facilitation – Support and facilitation for policy clarification & implementation



Definition

Providing a common inclusive platform for all market participants to seek guidance for policy clarification and provide necessary support for policy adoption and implementation.

Who does it today?



Issues today

None

Decision point

None

Possible Options

Option 1:
Continue as is



Initial recommendation rationale

PIB needs to ensure it supports policy clarification as it will regularly interact with the regulator and provide input on policy making through consultations.

For effective working of the payment systems, the members and/or participants must adhere to regulatory policies and get the necessary support from the PIB during policy implementation.

PIB can help its member participants in policy adoption and present grievances faced by them to policymaking bodies.

✓ Recommendation

F 3.5.3 Industry Facilitation – Query management



Definition

The payments body performs the function where it can assist new and existing entities with queries, requests for information and introduction to sponsor banks.

Who does it today?



Issues today

Participants face challenges to find sponsor banks

Decision point

Does the PIB facilitate introduction between parties (example TPPP and sponsor bank)?

Possible Options

Option 1:

Continue as is: respond to requests for information, guide new and potential new entrants into the system, guide existing participants into new areas of the system. Where permission is given and introductions are requested, assist with necessary introductions. Inform closed loop system operators of how to open their systems.

Option 2:

Option 1 plus sharing of standards for interoperability. ✓

Initial recommendation rationale

As the Payments Industry Body for South Africa, the PIB can expect to regularly be approached by parties looking to join the system and looking for the necessary sponsors. To keep the functioning of the system efficient and competitive, the PIB should respond to queries.



Function 4 Project Management





F 4. Project Management

F 4.1 Project Delivery

F 4.1.1 Project Delivery - Project design, management and implementation



Definition

This includes end to end responsibility of project delivery including project design, management and implementation through coordinating participant build, test and go-live activities. For e.g., Debi Check project, QR project

Who does it today?



Issues today

None

Decision point

What should the extent of involvement of the PIB be in project management?

Possible Options

Option 1: PASA driven

As is (end to end project management and coordination by PASA)

Option 2: Hybrid approach

PIB may get involved in certain projects depending on project type. (e.g. involvement in interoperability related projects, projects involving multiple PSOs, projects involving changes to PIB rules)

Option 3: PSO driven

No involvement of PIB in project delivery

Initial recommendation rationale

To maintain the interoperability of payment systems, changes to payment systems need to be performed, in a coordinated manner, across all participants. The existence of multiple operators in some payment streams also necessitates coordination across PSOs. As this is core to interoperability, it should sit with the PIB.

✓ Recommendation

F 4.1.2 Project Delivery – Payments innovations platform



Definition

This includes initiatives to bolster payments innovations such as introducing and operating its own innovations platforms such as sandbox, API developer portal, hackathons etc.

Who does it today?



Issues today

Limited means of innovation – currently presence of regulatory sandbox only

Decision point

Should PIB take initiatives for promoting innovations (payments sandbox e.g. NZ, hackathon e.g. Canada)?

Possible Options

Option 1:

As is (No involvement of PIB)

Option 2:

Active investments by PIB in innovations initiatives specific to payments only

Option 3:

PIB provides the platform for getting market participants together to discuss innovations



Initial recommendation rationale

Given the policy objective mandate, as well as offering the platform where competitors collaborate, the PIB logically cannot be a commercial entity. Furthermore, the PIB is not recommended to operate payment systems. Accordingly, PIB should not deal with businesses/models developed in an innovation sandbox.

The PIB can provide a platform for enabling collaborations between the payment participants and to support emerging and innovative solutions; however, there must be a framework to discuss innovations at the platform, while being mindful of the intellectual property (IP) framework.

✓ Recommendation



Function 5 Industry Representation





F 5. Industry Representation

F 5.1 Industry Representation

F 5.1.1 Industry Representation – Consultative services - Input to regulators / policy bodies



Definition

The payments body provides payments expertise including consultative services by providing inputs to regulators and policy making institutes including policy paper contribution & advocacy for the industry.

Who does it today?



Issues today

PASA provides expert input to regulators, but does not lobby/advocate for all members

Decision point

- Should PIB only provide expert input for consideration or lobby for member interests?
- Should the view be only PIBs, or should it consolidate industry views?



Possible Options

Option 1: PIB as expert input body

PIB provides its expert inputs when consulted. Members can voice their views directly or via their associations (e.g. BASA)

Option 2: PIB as consensus building body

PIB provides its expert inputs when consulted. PIB is mandated to perform the "Voice of Industry" function and to build majority consensus between industry stakeholders that are in interest of NPS over member interest. (PIB not be involved in member lobbying activities)

Option 3: PIB as lobbying body

PIB is mandated to perform the "Voice of industry" function and to building majority consensus between industry stakeholders and lobby this majority view (member or NPS interest) to the regulator.

Option 4: PIB as a body for consolidated view

PIB to act more as a body providing a consolidated view versus a consensus view. It is important for the PIB to provide a balanced Industry view (payment system participants and affected parties e.g. users)

✓ Recommendation

Initial recommendation rationale

The PIB should provide technical and expert inputs whenever asked. It should also consolidate the views of different parties or constituencies and not advocate for the interests of any constituency.

The PIB should support regulators by consolidating a majority response.

Both by principle and practice, lobbying should remain with the trade associations. This proposition is in line with the Design Principle that the PIB should be responsible for the objectives of NPS ahead of the members.

F 5.1.2 Industry Representation – Stakeholder & member collaboration management



Definition

The payments body provides a common inclusive platform for all market participants to represent their interest and undertakes necessary process of maintaining good relationships with the stakeholders impacted by the decisions made by the body.

Who does it today?



Issues today

None (each entity manages its own members and stakeholders)

Decision point

What should be the extent of engagement and collaboration with industry stakeholders?

Possible Options

Option 1:

PIB actively promote collaborations among industry stakeholders



Initial recommendation rationale

Given the payments ecosystem and the extent to which the PIB will underpin many platforms, the broader the collaboration the better.

Member collaboration is a must for the efficient functioning of the payment systems. The PIB must take a holistic approach while taking inputs to design any framework which affects its members.

✓ Recommendation

Scope overview of The PIB





- The PIB should have a broad view of the current and emerging Payments landscapes and the ability to advise and support members wherever relevant. The scope items presented therefore are a representation of current and emerging topics which could be considered but do not represent a comprehensive or definitive view.
- The move of settlement rules to the SARB was agreed before the start of the PIB project and will run as a separate stream to the PIB project. Engagements with the SARB will take place as part of their broader SAMOS modernisation initiative, in line with the SARB timeframes. Relevant industry experts (most likely PCH PG and Settlement Group Chairs and Vice Chairs) will be called on when relevant to inform the process. The exact scope of what is included in settlement is yet to be determined and could impact on other payment streams as indicated on the next slide.
- The PIB Scope slides indicate topics that could be in scope and the role the PIB could play in each. It should be remembered that all function items can be applied to any scope item. It is anticipated that the Scope items will evolve as the market changes. The strategy-setting process of the PIB should determine the scope focus areas in any given period.

Payment streams

Existing in-scope payment streams of PASA



These existing in-scope payment streams remain in PIB, unless they move to SARB as part of the settlement rule move:

Move to SARB

1. Settlement *

Recommended to stay with PIB

1. Low Value electronic funds transfer(EFT) credit and debit
2. ATMs
3. Card, incl Debit, Credit, Amex, Diners and Fleet
4. Authenticated Collections (AC) – DebiCheck
5. Real-time Clearing (RTC)
6. RPP
7. Cash Settlement *
8. Derivatives *
9. Equities *
10. Money Market *
11. Bonds *
12. Immediate Settlement *

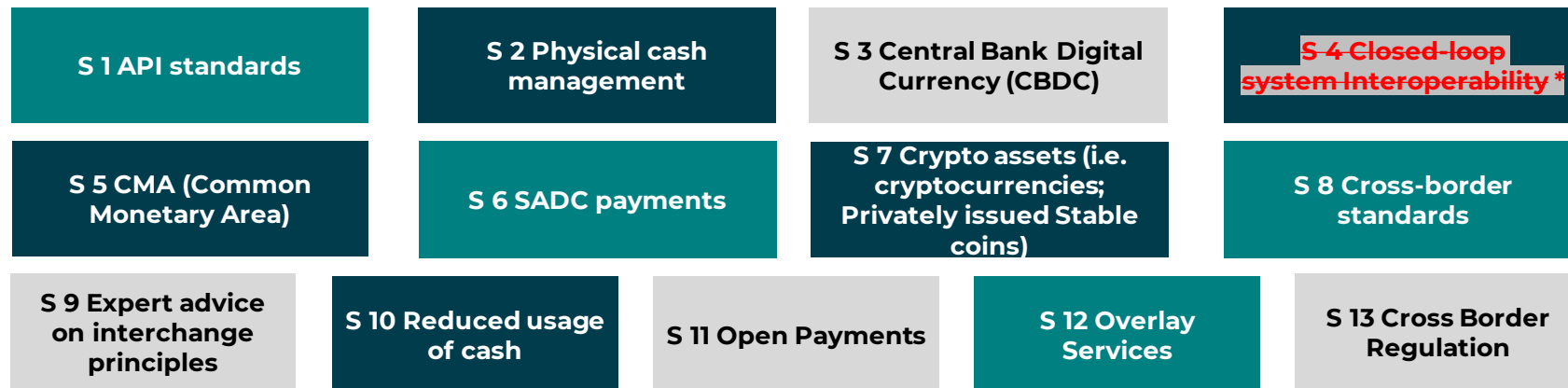
PIB Scope



Topics which could fall within the scope

- The following areas were identified based on the relevance to the SA market industry inputs and research conducted
- Additional areas or new upcoming payments topics could also be considered and incorporated in the scope of PIB. New topics do not necessarily translate to additional headcount

The PIB scope as considered :



ST API Standards



Definition

Common standards for Banks for payment related APIs

Who does it today?

None

Issues today

No standardised API standards, each bank has its own standards for APIs. Duplication and inefficiencies to connect to various Banks

Decision point

- Mandatory or voluntary adoption?
(Currently voluntary)
- Market driven or regulatory driven?



Possible Options

Option 1:

- Regulatory driven - Defined by Regulator
- Mandatory adoption by participants

Option 2:

- Market driven - Defined by PIB
- Voluntary adoption by participants



Option 3:

- Market driven - Defined by PIB
- Mandatory adoption by participants
(regulatory mandate to be provided by SARB)

Option 4:

- No involvement
- ✓ Recommendation

Initial recommendation rationale

It seems likely that the industry will voluntarily adopt standards before the introduction of regulation. These standards should then form the basis of the regulation when it is introduced. PIB would require regulatory mandate to ensure mandatory adoption by participants

S 2 Physical Cash Management



Definition

Optimising interbank cash processing- Tier 1, 2, 3

Who does it today?

  BASA - Focused on Tier 1
BankServ - Tier 2
Tier 3 - No-one

Issues today

Cash aggregation
Cost allocation

Decision point

Extent of PIB involvement in physical cash management.

Possible Options

Option 1:

Continue as is (no involvement of PIB)

Option 2:

No involvement in the physical logistics of Cash, but responsibility for transactional interoperability (e.g. remittance in retail stores, cash settlement, cash in and cash out transactions) in line with regulator guidelines. Include Cash as a key component in payments strategy development, analysis & research, risk & project management.



Initial recommendation rationale

Continued involvement in cash settlement (the interoperable electronic component) is needed but the design principles specify no commercial or pricing involvement from the PIB. PIB needs to be involved in transactional interoperability for usage of Cash.

The SARB interchange project and BASA have recommended the development of white label ATMs. Presumably the PIB will need to play an interoperability role in this space.

✓ Recommendation



S 3 Central Bank Digital Currency (CBDC)



Definition

Expertise on CBDC - Ongoing advisory and engagements

Who does it today?



Driven by SARB currently

Issues today

None
Distribution of CBDC activities to be finalised.
Currently in early stages.

Decision point

Building expertise in PIB on CBDC

Possible Options

Option 1:

Investing in resources to build relevant CBDC expertise in order to provide consultative inputs in regulatory/legislative policy making



Option 2:

No involvement of PIB in CBDC

Initial recommendation rationale

CBDC could become a new, broadly accepted form of money. Payment systems will be required to facilitate retail payments and payment acceptance. The PIB, therefore, needs to understand this space in order to fulfil its potential future role. The PIB work will be in support of the SARB as the owner of the CBDC.

✓ Recommendation





S4 Closed loop systems / interoperability *

Definition

Closed loop payments systems are systems set up and operated by a single payment service provider

Who does it today?



PASA drives the interoperability but does not decide which systems should open.

Issues today

It is unclear as to how or when the decision is made to open a closed loop system. Different decision points may be applied to PASA members than to non-members

Decision point

Should the PIB play a role in recommending the opening of closed loop systems to the SARB or should it only implement the process of opening the system?

Possible Options

Option 1:

If closed loop chooses to open or If SARB mandates the closed loop to open it will have to adopt clearing and form factor standards in accordance with standard framework designed by PIB

Option 2:

The PIB actively monitors and recommends to the SARB when systems should open and then implement as per Option 1

Option 3:

Option 1 + PIB publishes voluntary best practice guidelines/standards for closed loop in systems and roadmap for moving to open loop systems



Option 4:

No involvement

Initial recommendation rationale

Given the commercial implications, it is recommended that the decision to open a closed loop system to be made at a regulatory level (rather than industry level). This is in line with the principle that the PIB does not get involved in commercial matters. Commercial Banks should be more involved with the close loop providers for commercial matters and to assist with understanding frameworks and the roadmap defined for moving to open loop payments.

✓ Recommendation

* The intention of S4 is sufficiently covered under "F 3.5.3. Industry Facilitation – Query management" and it was therefore removed. Reference to this item was however kept to allow for consistent numbering with previous versions of this deck.





S 5 Common Monetary Area (CMA)

Definition

Payments between South Africa and Lesotho, eSwatini or Namibia.

Who does it today?



BASA - principle level
PASA - implementation level

Issues today

Alignment with international standards
Improved sanction screening data in messages
Principle of building payment system for small volume payments - commercial viability

Decision point

Should the PIB play a role in solution design for CMA payments?

Possible Options

Option 1:

Implementation by PIB (i.e. project management) on request



Option 2:

Solution and implementation involvement

Option 3:

No Involvement

Initial recommendation rationale

Given that only three current PASA members are involved in CMA payments, solution design can easily be managed amongst the affected parties. Should they need assistance, however, the PIB should be open to providing inputs.

✓ Recommendation



S 6 SADC Payments



Definition

Interoperability of payments across SADC

Who does it today?



Issues today

No visibility

Decision point

All the necessary roles are covered by other parties. Should the PIB make the effort to understand and monitor this space?



Possible Options

Option 1:

Stay as is (no involvement)

Option 2:

Create PIB capacity for understanding and monitoring SADC activities



✓ Recommendation

Initial recommendation rationale

Given the emerging models where domestic payment systems are linked to create real time cross-border payments, the PIB should at least understand any potential impact of SADC payment system development on domestic payment systems.

S 7 Crypto assets (i.e. cryptocurrencies; Privately issued Stable coins)



Definition

Non-central bank cryptocurrencies and stable coins

Who does it today?

Currently unregulated, although regulation will bring it into the remit of SARB and FSCA

Issues today

None

Decision point

What should be the PIB involvement in crypto assets landscape?

Possible Options

Option 1:

Continue as is (no involvement of PIB)

Option 2:

Defining role for PIB

Option 3:

PIB monitors the international and local developments on this topic



Initial recommendation rationale

Until such time as crypto assets are regulated, there is no NPS role for them. At best the PIB can provide regulatory guidance to the parties who play in the crypto asset space, but as most of the regulation will not be payments related, even that seems unlikely. PIB can keep an eye on the international and local developments / advancements on crypto assets

✓ Recommendation





S 8 Cross Border Standards

Definition

Payments between South Africa and countries outside of CMA and SADC

Who does it today?

Banks via correspondent networks; SWIFT for standard setting

Issues today

Need for alignment between domestic and cross border payment standards; G20 initiative on dropping the costs of cross-border payments

Decision point

What should be the PIB involvement in cross-border landscape?

Possible Options

Option 1:

PIB advocates for international standards, but doesn't build capacity to understand cross border payments;



Option 2:

PIB advocates for international standards in the initiatives which will impact on South African payments providers

Option 3:

No PIB involvement. Other bodies advocate for domestic and international alignment

✓ Recommendation

Initial recommendation rationale

The convergence of international and domestic payment systems, and the pursuance of regional interoperability mean that the PIB needs to understand cross border payment initiatives in order to perform its domestic role. This is also in line with the Design Principle relating to policy objectives.

The aim is to support the industry goal of only building payment systems once or that at least are aligned as far as possible.





S 9 Expert advice on interchange principle

Definition

Principle based stance on interchange for feedback into regulators

Who does it today?

SARB has just completed an interchange study validating current methodologies

Issues today

None

Decision point

Should the PIB give expert input into interchange models and setting?

Possible Options

Option 1:

PIB provide expert input for setting up the interchange principles if consulted by SARB



Option 2: No involvement of PIB

Initial recommendation rationale

The design principles specify no commercial involvement; however, interchange is a critical component of driving digital payments and ultimately the development and reach of payment systems. The PIB, therefore, needs to understand the basic principles.

✓ Recommendation





S 10 Reduced usage of cash

Definition

Business cases for the likes of RPP depend on reduction of cash usage, however, RPP is necessary, but not sufficient to remove cash from the system

Who does it today?

Various parties have an interest, but no coordinated regulatory or societal approach.

Issues today

Lack of coordination across various entities and regulators who have a broader interest in the uptake of digital payments at the expense of cash.

Decision point

Should PIB be involved in coordinating with other players to uptake digital payments at the expense of cash?



Possible Options

Option 1:

PIB playing a role of coordinating body across various entities and regulators

Option 2:

PIB strongly advocates for the formation of a coordinating body, but does not take the lead

Option 3:

No involvement of PIB

✓ Recommendation

Initial recommendation rationale

The adoption of non-cash payments is a much broader discussion than just the provision of suitable payment systems. The PIB should advocate for the formation of a coordinating body and should be a strong proponent for alternatives to cash.

The PIB should also understand the linkages between the use of cash and digital payments.

S 11 Open Payments



Definition

The South African open banking regulation is yet to be defined. Is there a role for the private sector beyond standard setting?

Who does it today?

No-one. Regulatory engagements ongoing

Issues today

Regulatory process is progressing, however various fragmented models are being built in the meantime

Decision point

Should PIB be involved in harmonising the fragmented models of different players?

Possible Options

Option 1:

PIB undertakes initiative to consult members and provide inputs to regulatory bodies



Option 2:

Continue relying on private institutions to drive open payments initiatives with SARB creating a common regulatory framework (as-is). PIB consulted

Initial recommendation rationale

PIB can undertake a consultative role for providing inputs to the ongoing regulatory process on open payments.

✓ Recommendation



S 12 Overlay Services



Definition

This includes auxiliary and value added services to payments, including but not limited to: Account Verification; Request to Pay; Proxy (Directory) services; Mandate initiation services; Authentication

Who does it today?

Ad-hoc

Issues today

PASA has limited jurisdiction over non-financial transactions, leaving each operator to define their own version

Decision point

Should PIB be involved in standards and rules for non-financial, payments related, transactions

Possible Options

Option 1:

No involvement: operator takes full responsibility

Option 2:

PIB harmonises adjacent services when provided by more than one PSO

Option 3:

PIB manages adjacent services only when they are a critical part of the clearing function: e.g. mandates in DebiCheck



✓ Recommendation

Initial recommendation rationale

Many of these services are critically related to payment transactions, and the proliferation of different approaches is inefficient for users and participants

Therefore, the recommendation that when the same overlay service is provided by multiple operators, there should be a level of alignment to prevent this inefficiency

Also, as we move towards platform architectures, overlap services should adhere to the standards of common platforms





S 13 Cross Border Regulation

Definition

This refers to the payments exchange control standards and reporting for cross-border payments. It also includes PIB's engagement with regulators and ability to influence the regulatory frameworks for enabling and facilitating more affordable, widely accessible cross-border payments

Who does it today?

Ad-hoc

Issues today

No common standards for cross-border payments.

Decision point

Role of PIB and its involvement in advocacy for payments exchange controls

Possible Options

Option 1:

No involvement

Option 2:

PIB advocates for fit-for-purpose cross border payments regulation including Balance of Payments reporting, International Funds Transfer Reporting (IFTR) and FATF16 requirements.



✓ Recommendation

Initial recommendation rationale

South African regulatory requirements for cross-border payments influence the payment message data requirements.

The PIB therefore should play an advocacy role in motivating for changes to the payments exchange controls reporting requirements.



New Payments Industry Body

PIB Mandate & Recognition
version 1.0

Signed off on 11 February 2022

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The PIB requires BOTH regulatory recognition and a member mandate to fulfil all its functions



Decision Point #R1



PIB Regulatory Recognition

As communicated in the December industry workshop, the SARB requests a proposal for the recognition of the PIB (as the current recognition in the Act will be removed). The SARB acknowledged that going from recognition in the Act (PSMB) to nothing is not ideal.

Decision point #RI: What are the probable options for PIB recognition?

Option 1:

In the NPS Act

Option 2: ✓

Some or other recognition in law (arising from a SARB power derived from the NPS Act): must explicitly state that every licensed entity must be a member of the industry body and that the rules of the industry body will be binding on such members. Both of the following are required:

- Mandatory membership as part of licensing conditions AND
- Directive from the SARB (or another equivalent legal mechanism)

Option 3:

Membership enforced as licensing condition (looser recognition in law). Already implied in the design principles.

Option 4:

No regulatory recognition - Member mandate only (no mandatory membership and no mandate in law; however, this is contrary to Design Principles)

Rationale:

Feedback from various community members suggests that Option 3 is not seen as sufficient regulatory recognition, particularly to make PIB rules supersede scheme rules, therefore we recommend option 2 that has a stronger recognition.





SARB PIB Regulatory Recognition Proposal *

In response to the request from the industry on the previous slide, the SARB proposed a two-pillar approach to recognising the PIB. This proposal was presented to the March Industry workshop and received broad acceptance from all participants.

Membership of the PIB as a licensing condition

All entities which require licensing for the payments activities will be required to be members in good standing of a PIB.

This gives the PIB the ability to manage middle-mile interoperability across all parties and further, to enforce the PIB rules and technical standards.

Licensing the PIB

The PIB itself will be licensed by the SARB to perform key functions, including writing rules which will supersede scheme and operator rules and to manage risks created by interoperability.

New Payments Industry Body

PIB Legal Entity
version 1.0

Signed off on 26 April 2022

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- An association of clearing and settlement participants as prescribed in the NPS Act
- Not a voluntary association
- Non-profit organisation
- A PSMB as contemplated in the NPS Act
 - Recognised by the SARB
 - Established in law

- Exempted from Income Tax - Section 10(1)(cA)
- PASA Constitution:
 - Upon the dissolution of PASA, all debts of PASA shall be discharged and the remaining funds and assets shall, at the direction of the Reserve Bank, be transferred to another association, body or institution having **similar objects**, and which is exempt from income tax under section 10(1)(cA)(i) of the Income Tax Act, No 58 of 1962.
- Income Tax Act – Similar provision

Establishment of a Payments Industry Body (PIB)



Moratorium

PIB – Commercial or non-profit?

Non-profit – NPC or Association? Or even a (Pty) Ltd as an LLC

NPO?

Transfer assets to body with similar objects in terms of Constitution and Income Tax Act

Body with similar objects = One established in law

Process Followed

The following were investigated, considered and debated:

- PASA Model
- Australian, Canadian, UK and New Zealand models
- Memorandum by Webber Wentzel on the legal, tax and other considerations pertaining to the choice and establishment of a new entity
- Credit Ombud Model and Constitution
- The mandate, function and scope and objectives of the PIB

Number of workshops were held with a smaller team doing some research

- Phase 1: Consider appropriate entity: NPC or Association (or LLC*)
- Phase 2: To consider exemption from Income Tax Act and transfer of assets (not commenced yet)
- Workgroup concluded on Phase 1 recommendations to the Design Team and Plenary

*Limited Liability Company



Recommendations

Non Profit Company Pro's and Con's



PIB LEGAL ENTITY – LEGAL FORM

	Pro's	Con's
NPC	<ul style="list-style-type: none">• NPC provides longer term continued existence and benefits to the members• Credibility, trust due to compliance with Companies Act• More certainty in respective of governance requirements as per the Companies Act• Separate Legal Entity capable of owning its own assets and liabilities and exists separately to its members• Schedule 1 of the Companies Act requires that a non-profit company must, upon winding-up or dissolution, distribute the entire net value of the company to one or more non-profit companies, “registered external non-profit companies” carrying on activities in South Africa, non-profit trusts, or voluntary associations having objectives similar to its main objective.• Furthermore paragraph 4 of Schedule 1 in the Companies Act states that no past or present member or director is entitled to any part of the net value of the company after its obligations and liabilities have been satisfied	<ul style="list-style-type: none">• Onerous registration process• MOI must satisfy requirements of Companies Act (but also positive as – governance and compliance)• Strict reporting requirements• Liability of directors with regards to Fiduciary duty• Registration process may be delayed by CIPC• Directors to resign/rotate annually – rotation of Directors of the Board <p>[Although a third of directors have to resign, they may be appointed/elected immediately thereafter in terms of due process by the board]</p>

Recommendations

Association Pro's and Con's



PIB LEGAL ENTITY – LEGAL FORM

	Pro's	Con's
Association	<ul style="list-style-type: none">• Establishing and managing a voluntary association is less onerous than establishing and managing an NPC. Quick to set up, i.e. no legal formalities• King IV still best practice• Still accountable to report to the SARB if recognised• Auditing not required in terms of Companies Act, but can adhere to best practices as recommended by KING IV• Flexibility into Structures, ability to manage best practices by way of Constitution• Inclusion of Members, direct interaction of Members and voice	<ul style="list-style-type: none">• Less statutory requirements i.e. Companies Act, which may be a perceived view of less governance



- 1 No notable legal differences between an NPC or an association
- 2 Both would qualify to serve as a body with similar objects
- 3 Both could be exempted in terms of the Income Tax Act
- 4 Consider establishing a common law association at first, as an interim vehicle until more certainty regarding the NPS Act.
- 5 Consider 4 above only if transition is uncertain, and time is of the essence, etc.
Consider duplication of effort - Tax exemption, etc.

Recommendations and Considerations



- 1 **Majority view:** Establish an NPC: Compliance with Companies Act and King IV
Concern: 1/3 of directors must resign annually
- 2 **Minority view:** Establish an Association due to flexibility and ease to establish while still subject to oversight by SARB.
Members direct input and ability to inform Constitution
- 3 Both could receive tax exemption
- 4 Assets could be transferred to both if established under law in terms of S10(1)(cA)(i)
- 5 Phase 2 to consider implications if recognised / not recognised (established under law)
- 6 SARB's proposal to license PIB as a "superscheme"
 - S10(1)(cA)(i)
 - Transfer of assets as provided in the Income Tax Act and PASA Constitution possible



Decision point #L1: What are the suitable legal entity type options for the PIB?

Option 1:

Establish a Non-Profit Company (NPC) ✓

Option 2:

Establish an Association

New Payments Industry Body

PIB Membership & Governance
version 2.1

Signed off on 16 August 2022

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Summary of Membership & Governance Key Considerations



Further considerations for determining PIB membership category



Guidance as provided by Design Principles and international models

Design Principles imply separating (payments) licensed members from members not requiring a license

Controls to ensure balanced decision making across membership categories

'Skin in the game' concept

Non-licensed parties have a voluntary membership category

Payment licensing requirements define the membership category. If multiple licenses, category of most onerous applies

Fewer categories preferred to reduce administrative complexity

Direct membership is mandatory for licensed entities (not via associations).



Membership and Governance discussion points

1

Membership categories

- Entities organised by activities in the Payments Ecosystem
- Mapping of entity activities to current and possible future regulation
- Other interested or impacted parties
- Role of Associations
- Membership category options

2

Committees and member structures

- PIB Proposed Committees
- Summary for membership categories
- PIB Member Structure - Decision making process
- Stratco Structures
- Participation structure: PIB Member Structures – Function alignment
- Details on five proposed member structures
- Advisory Committees
- Board Stakeholder Forum

3

The Board

- Board Composition
- Independent Directorship
- Board Size
- Board Committees
- Board Members Appointment Process and Election Processes

4

PIB Conceptual Structure Illustration

- PIB Conceptual Structure which results from section 1-3

Updated Membership and Governance



Membership



Entities organised by activities in the Payments Ecosystem



1 Systemically Important (SI) clearing participants

Clearing participants are licensed entities that participate in clearing payment transactions between deposit taking institutions. A systemically important clearing participant is a financial institution and clearing participant whose failure might trigger a financial crisis.

2 Operators (PSOs)

A Payment Clearing House (PCH) system operator (PSO) is an entity, other than a designated settlement system operator, that clears on behalf of any two or more clearing system participants (i.e., Strate, Bankserv, Visa, Mastercard).

3 Clearing participants

Designated clearing system participants and non-systematically important clearing participants which are members of PASA and clear in at least one payment stream. Clearing of payment instructions between these participants is achieved through authorised PCH System Operators (PSO's).

4 PSPs

A payment service provider (PSP) is any party licensed (via the COFI Act or the NPS Act), to provide payment services, including TPPPs and SOs. Any entity licensed under the new regulation will be included in this group. Slide titled "Payment Activities" refers with further detail.

A System Operator (SO) is a non-bank that provides electronic means to businesses to make or receive payments. A Third Party Payment Provider (TPPP) accepts money or payment instructions from persons for the purpose of making payments on behalf of those persons to third parties to whom those payments are due.

5 Other interested or impacted parties

Non-licensed payments system entities include but are not limited to business associations, merchants, consultants, software providers which are interested in or impacted by developments in the National Payments System.

Mapping of entity activities to current and possible future regulation**



Entity activity	Description	Examples	Current scenario	Potential future
1 Systemically Important (SI) clearing participants	The systemically important clearing participants as designated by SARB*	As per prevailing SARB definition *	Licensed by SARB / Admission by PASA	Licensed by FSCA / NPSD
2 Operators (PSOs)	An organisation licensed to provide NPS infrastructural components.	BankservAfrica, Visa, Mastercard, Strate	Authorisation by PASA	Licensed by NPSD
3 Clearing participants	Clearing participants not included in 1	Non-SI clearing Banks, Designated clearing participants	Licensed by SARB / Designation by SARB; Admission by PASA	Licensed by NPSD / FSCA
4 PSPs	PSPs are anyone who is licensed / authorized / registered but doesn't fall into 1, 2 and 3 above.	TPPPs, SOs	Registered and/or authorised with PASA	Registered / licensed by NPSD / FSCA
5 Other interested or impacted parties	Any non-licensed payments entities including interested or impacted parties	Business Associations, Merchants / Users, consultants, software providers etc.,	Not licensed by SARB PA/NPSD, PASA or by FSCA for payments participation or service provision	Not licensed by NPSD / FSCA for payments participation or service provision



Payment Activities

Following is the list of activities included for licensing in the first draft of the COFI Bill (including* consequential NPS Act amendments). **Comment has been provided on all this content and it is expected that this list could change before the Act is promulgated.**

Payment Activities (A+B+C)	
A. Payment Services	
1.	Issuing of payment instruments
2.	Acquiring of payment transactions
3.	Provision of payment accounts
4.	Fund Placement Services
5.	Cash Withdrawal Services
6.	Execution of payment transactions: credit transfers, debit orders and card transaction
7.	Remittances
8.	Provision of third-party payments
	a) Payment initiation service
	b) Account information service
B. Clearing and Settlement	
9.	Clearing
10.	Settlement
C. Other Payment Activities	
11.	System Operator
12.	Payment aggregation (TPPPs)



Other interested or impacted parties

Potential Interested or Impacted Entities Types (Non-Licensed)

- Business Associations (e.g., eCommerce Forum, MFSA, BASA, ASISA), PSP Associations (e.g., ASO, CIBA) and Consumer Associations
- Merchants, Retailers, Users
- Professional services providers (consulting firms, legal specialist)
- Software providers
- Fintechs, Bigtechs and others providing adjacent or complementary services

Considerations

- Design principles guides that voluntary membership should be allowed where licensing is not a requirement
- Non-licensed entities can include both interested parties (such as consultants, legal firms) or impacted parties (such as merchants, users etc.,)
- Representation of either interested or impacted parties can be through associations
- Membership of such entities is on a voluntary basis only. It is practically not feasible to mandate the membership of these entities
- Design principles enable provision of membership for associations and individual entities

All non-licensed members of the payments community will be eligible to become members of the PIB* via a voluntary membership category and will have to choose either of following two options:

Benefits	Basic	Prime
Ideal for	Service providers and small businesses	Entities interested to participate / be consulted in selected streams
Formal engagement via working or consultation groups/forums		✓
Review and comment on draft Specifications ahead of publication		✓
Informed about the decisions of formal meetings	✓	✓
Access to information (annual reports, meeting notes, project artifacts etc.,)	✓	✓
Pricing	Low fixed fee, No charges for qualifying SMEs	Fixed pricing per area of involvement



* Please note that Option B for OIIP requires all those who apply for Prime membership to first register with the SARB

Other Interested or Impacted Parties entry criteria (suitable controls)



Considerations

Experience through the PIB process suggests the following types of OIIP members:

1. Industry Associations whose members are major users of payment systems, including, but not limited to: various categories of retailers (bricks and mortar retailers, online retailers, fuel retailers); various categories of debit order collectors (insurers; microlenders; non-bank lenders); providers of cryptocurrency services.
2. Industry Associations made up of licensed PIB members, or a combination of licensed and unlicensed entities.
3. Individual members of (1) who are not required to be licensed in the payment licensing regime.
4. Individual entities who provide services to clearing participants, PSOs and PSPs: payments consultants; payments software providers; specialist payment lawyers; physical cash related services including providers of cash processing equipment; note manufacturers; CIT and cash processing suppliers.

Most of these parties see value in PIB membership for some combination of the below reasons:

- Access to information on the payments industry and pending changes to the industry.
- A need to be consulted on payment rule changes which could materially impact their ability to do business in their chosen industry.
- The opportunity to network and engage with potential clients and partners.

Entry Criteria

It is expected that the licensing criteria for all other PIB membership categories will include some level of due diligence. The entry requirements for PIB OIIP members cannot rely on the licensing process and therefore need to be more onerous than for other member categories:

1. All OIIP entrants must be from one of the groups listed in (1), (2), (3) or (4) on the left. New categories should be signed off at the PIB board.
2. All OIIP PIB members should be subjected to similar documentary and adverse media due diligence to that conducted by banks towards their clients.
3. All OIIP (and other) members must adhere to PIB rules; the PIB Code of Conduct; the PIB Code of Ethics and any other documents which prescribe acceptable behaviour within the PIB. These rules and behavioural standards must include confidentiality of any PIB information which is not public domain, an undertaking not to represent the PIB in the media without explicit permission; acceptable usage of the PIB brand; and standards of behaviour within PIB forums.
4. Agreed escalation paths should be used where agreement is not reached in a consultation process.
5. As OIIP membership is voluntary, withdrawal of OIIP membership should be a consequence of non-compliance with (2) or (3) above if not remediated in acceptable timeframes.
6. The PIB must retain the right to exit members (whether OIIP or other) who are flagged as high risk in the Debit Order Abuse process (or similar investigations).

Note: Where consultation is required by law and/or best practice on stakeholder engagements as per King IV, the PIB will consult accordingly, irrespective of membership status





Role of Associations

Current Considerations

1. Certain associations have members who will be required to be licensed for payments (e.g., CIBA, ASO, BASA).
2. Others may have members who will not be licensed for payments, but who will have an interest or be impacted (e.g. ASISA, ADRA, LNBLA, MFSA)
3. Some associations have both members who will be required to be licensed and members who will not be licensed. (e.g. SARPIF, E-Commerce Forum)
4. Entities whose membership is voluntary are considering whether to join the PIB via their Association, individually, or both
5. Associations, the majority of whose members have to be PIB members, are considering whether they too should be members
6. Some forums are limited by numbers, but have large groups of stakeholders (e.g. strategy forums), so Associations representing a community of participants will assist in reducing the number of direct participants in those meetings while maintaining appropriate stakeholder involvement

Recommendations ✓

1. All associations, irrespective of their member type, are eligible to become members under Category 5: Other Interested or Impacted Parties (OIIP)
2. Entities could choose individual membership and association membership. No limitation is put on the ability for associations and their members to hold direct PIB membership
3. Member associations will participate in structures in line with slide titled "Table 5: Other Interested or Impacted parties – Members" (refer following slide)
4. Associations that have licensed members but didn't choose to have PIB membership, can still represent constituencies in forums where there is constraint on numbers (e.g. strategy forums)
5. Associations only have voting rights if/when given a proxy by a PIB member who has voting rights. No duplication of voting -rights through membership.
6. When confidential information is shared with a member association, the member association will be responsible for binding their members to the confidentiality.

Membership Categories



Membership category options



Decision point #M2: Which categories of membership should be offered by the PIB?*

Option Model 1: All 5 entity types as separate categories (5 categories)	Option Model 2: Combining SI clearing participants and PSOs as one category and rest separate (4 categories)	Option Model 3: Combining Clearing participants and PSPs and rest as separate (4 categories)	Option Model 4: Non-clearing participants together (4 categories)	Option Model 5: Banks, PSOs and combined non- clearing participants (3 categories)	Option Model 6: Combining SI and clearing participants and rest separate (4 categories)	Option Model 7*: Combining Banks and clearing participants, PSOs and rest separate (3 categories)
Systemically important clearing participants	PSOs and Systemically important clearing participants	Systemically important clearing participants	Systemically important clearing participants	Systemically important clearing participants	Banks and clearing participants combined	Banks and clearing participants, PSOs combined
Operators (PSOs)		Operators (PSOs)	Operators (PSOs)	Operators (PSOs)	Operators (PSOs)	
Clearing participants	Clearing participants	Rest of licensed (clearing participants and PSPs)	Clearing participants	Rest	PSPs	PSPs
PSPs	PSPs		PSPs and Other interested or impacted parties		Other interested or impacted parties	Other interested or impacted parties
Other interested or impacted parties	Other interested or impacted parties	Other interested or impacted parties	Against Design Principle 3.2	Against Design Principle 3.2	Feasible	Feasible

Considerations

Administrative complexities: More categories result in more administrative processes relating to billing and onboarding.

Sufficient granularity: Categories must allow for sufficient differentiation in the rights and obligations of members. If two categories have the same rights and obligations, then they can be merged.

Rationale

It is clear that 'Other interested or impacted parties' are very different from 'PSPs', who in turn differ from 'operators' and 'clearing participants'. That means that the viable options are 1, 2, 6 and 7 and it's the similarities / differences between SI clearing participants, clearing participants and operators which will ultimately determine the model. Arguably, Board processes are separate from the operational processes, suggesting the focus should be on commonality between member structure involvement and funding models. On that basis, SI Clearing participants and Clearing participants can be combined, indicating model 6.

✓ Recommendation



* Provisional membership should be allowed for parties going through the process of becoming licensed or joining a clearing system. Such entities may enjoy observer status however, there will be no voting entitlement or funding obligations.
PIB Membership & Governance V 2.1 (signed off)



Committees





PIB Proposed Committees

Below are the proposed committees:

Structure type	Proposed Committees *	Description
Governance structures	Board	The apex governance body of the PIB
	Board Committees	Board committees are an extension of the Board; created to assist the Board to fulfil its duties
Stakeholder forums	Board Stakeholder forums	Board stakeholder forums are a mechanism for the Board to engage directly with specific groups of stakeholders
Advisory committees	Advisory committees (e.g. Legal committee, Competition committee, NPS Risk committee, Other advisory committees)	Advisory committees are for members and experts to provide expertise on specific topics
Member participation structures*	<ul style="list-style-type: none"> I. Stratco structure for co-ordination for payments streams: Low value debits Stratco, Low value credits Stratco, High value credits Stratco, Cards Stratco II. Rule Making and Regulatory Structures III. Risk, Assurance & Operational Effectiveness Structures IV. Strategy structures V. Project Structures VI. Consultation Structures 	Member structures tasked with fulfilling the functions of the PIB
PIB management structures	ExCo and others to be defined in the Target Operating Model work	

Highlighted rows will be the focus area of following slides

Member Participation Structures: PIB Member Structures Function Mapping



The PIB functions previously discussed necessitate member structures:

1. Stratco structure for co-ordination of payments streams and payments stream strategy *	2. Rule Making and Regulatory Structures	3. Risk, Oversight & Operational Effectiveness Structures	4. Strategy Structures	5. Project Structures	6. Consultation Structures
I. Low value debits Stratco II. Low value credits Stratco III. High value credits Stratco IV. Cards Stratco	F 1.1: Rule Setting F 1.2: Standard Setting F 1.4.1: Monitor compliance	F 1.3: Risk management F 2: Payment System Operations (in scope components)	F 3.2: Strategy development F 3.5: Input into Industry facilitation	F 4.1: Project Delivery	Opportunities for engagement with members who are not represented on structures with decision making capabilities

F 5 Industry Representation and facilitation will be allocated across structures as per the nature of the content. In need, a dedicated forum / meeting will be created in order to respond to a specific request

Following functions could be treated as PIB management's responsibility and may not require member structures –

- F 1.5 Administrative support;
- F 3.1 Capacity Building;
- F 3.3 Thought Leadership;
- F 3.4 Payment statistics.

Member involvement in participation structures



Member roles in the participation structures



Members can take part in participation structures in different ways:

- I. **Voting participant:** A member who can cast a vote in a participation structure
- II. **Consulted:** A member who will be consulted on decisions; however, without voting rights
- III. **Informed:** The member will be informed about activities, progress and decisions taken in the structure, without any consultation and/or voting rights
- IV. **Expert Advisors:** A member or non-member providing expert advice

Notes:

- The Board may create participation structures or delegate the authority to create participation structures
- Some types of participation structures do not involve voting or decision making. These include:
 - **Advisory committees**, which are populated with experts on a given topic including but not limited to Legal and Competition Act committees
 - **Stakeholder forums**, which are an opportunity for consultation with stakeholders

Table 1: Systemically important Clearing participants



Participant structure	Sub structure (if any)	Participant Role			
		Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes, if required (Board can set up consultation forum with SI Clearing participants)	Yes	
Stratco structure (including payment stream strategy)		Yes			
Rule making and regulatory structure	Interoperability Rules	Yes			
	Clearing standard setting	Yes			
	Standard setting for payment initiation layers	Yes			
	Compliance monitoring		No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures		Yes			
Strategy Structures	Overarching Payments Strategy	Yes			
	Common services e.g., overlay and initiation services	Yes			
	Others (emerging strategic topics)	Yes			
	Project Structure	Yes			
Consultation Structure			Yes	Yes	

Table 2: Operators (PSOs)



		Participant Role			
Participant structure	Sub structure (if any)	Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes, if required (Board can set up consultation forum with PSOs)	Yes	
Stratco structure (including payment stream strategy)		Yes			
Rule making and regulatory structure	Interoperability Rules	Yes			
	Clearing standard setting	Yes			
	Standard setting for payment initiation layers	Yes			
	Compliance monitoring		No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures		Yes			
Strategy Structures	Overarching Payments Strategy	Yes			
	Common services e.g., overlay and initiation services	Yes			
	Others (emerging strategic topics)	Yes			
Project Structure		Yes			
Consultation Structure				Yes	Yes

Table 3: Clearing Participants



Participant structure	Sub structure (if any)	Participant Role			
		Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes, if required (Board can set up consultation forum with Clearing participants)	Yes	
Stratco structure (including payment stream strategy)		Yes			
Rule making and regulatory structure	Interoperability Rules	Yes			
	Clearing standard setting	Yes			
	Standard setting for payment initiation layers	Yes			
	Compliance monitoring		No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures		Yes			
Strategy Structures	Overarching Payments Strategy	Yes			
	Common services e.g., overlay and initiation services	Yes			
	Others (emerging strategic topics)	Yes			
Project Structure		Yes			
Consultation Structure				Yes	Yes

Table 4: PSPs



		Participant Role			
Participant structure	Sub structure (if any)	Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes, if required (Board can set up consultation forum with PSPs)	Yes	
Stratco structure (including payment stream strategy)		Yes			
Rule making and regulatory structure	Interoperability Rules		Yes		
	Clearing standard setting		Yes		
	Standard setting for payment initiation layers	Yes			
	Compliance monitoring		No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures			Yes		
Strategy Structures	Overarching Payments Strategy	Yes			
	Common services e.g., overlay and initiation services	Yes			
	Others (emerging strategic topics)	Yes			
Project Structure		Yes			
Consultation Structure			Yes		

Table 5: Other Interested or Impacted parties – Members – Option A



		Participant Role			
Participant structure	Sub structure (if any)	Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes	Yes	
Stratco structure (including payment stream strategy)			Dependent on membership type	Yes	
Rule making and regulatory structure	Interoperability Rules		Dependent on membership type	Yes	
	Clearing standard setting			Yes	
	Standard setting for payment initiation layers			Yes	
Compliance monitoring			No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures				Yes	
Strategy Structures	Overarching Payments Strategy		Dependent on membership type	Yes	Yes
	Common services e.g., overlay and initiation services			Yes	Yes
	Others (emerging strategic topics)			Yes	Yes
Project Structure		Yes, if required (needs basis)	Yes, if required (needs basis)	Yes	
Consultation Structure			Yes	Yes	

Other Interested or Impacted Parties - Members – Option B



- Suitable controls around who qualifies for membership via suitable objective entry criteria and
- Rights and obligations of membership being linked to activity and risk
 - Activity and risk is objectively defined in legislation (NPS Act) and as such licensed entities are to be mandatory members.
 - We propose an extension of this approach by requesting that parties that wish to formalise their rights of consultation do so by registering their interest with the South African Reserve Bank (SARB). In this way we avoid an unintended outcome of consultation whereby parties could frustrate the progress of the functions of the PIB, on which the SARB (or other regulators) could rely.
- Associations only have voting rights if/when given a proxy by a licensed member who has voting rights. No duplication of voting rights through membership of associations. An association might have rights of consultation via a licensed member of the PIB that has rights of consultation and further has been appointed by its members to represent them in the consultation process. Additionally, an association may register its legitimate interest with the SARB and thereby derive rights of consultation separate from its members.
- With rights come obligations (e.g., Members agree to be bound by outcomes when they are included in a structure via voting or consultation); and
- Consultation of OIIP is via the consultation structure, but can be within the “voting structures” via the following methods (though rights remain “consultation”, not “voting”):
 - By consent of licensed members or
 - Instruction of the SARB or
 - As appointed proxy of a licensed member

Table 6: Non-members



		Participant Role			
Participant structure	Sub structure (if any)	Voting Participant	Consulted	Informed	Expert Advisor
Advisory Committees				As Appropriate	Yes (needs basis)
Board Stakeholder Forum					
Stratco structure (including payment stream strategy)					
Rule making and regulatory structure	Interoperability Rules				
	Clearing standard setting				
	Standard setting for payment initiation layers				
	Compliance monitoring				
Risk and Operational Effectiveness (ROE) Structures					
Strategy Structures	Overarching Payments Strategy				
	Common services e.g., overlay and initiation services				
	Others (emerging strategic topics)				
Project Structure					
Consultation Structure					

Member participation structures



PIB Member Structure - Decision making process



Decision making process

Considerations

- PIB Board is the governing body of the PIB and should be mandated to establish appropriate structures to fulfill the objectives of the PIB
- Decision making should be governed by a Delegation of Authority to appropriately capacitated forums / structures / committees in a fair and transparent manner that is disclosed to all members/stakeholders
- The size of the structures has not been predetermined and will be dependent on members directly impacted

Board delegates responsibility to a Structure

Structure terms of reference (approved by Board) defines membership, ways of working, areas of responsibility

Structure fulfills function within delegated responsibility, building necessary levels of consensus (preferred) or attaining required support through voting

Stakeholder forum consultation as required *

Regulator 'No Objection' as required *

Board Approval as required *

Recommendations

- The Board should have the ability to create the necessary member structures in order to fulfill the function and scope of the PIB
- The Board may delegate the decision to create member structures to either PIB management or to member structures themselves (e.g., a member structure could have the mandate to create specialised sub-committees to support its function)

Who will be consulted:

- Members who do not have a seat at the table or a vote (e.g. PSPs and Other impacted or Interested parties for Interoperability Rules);
- Other impacted or Interested parties who have selected the Prime membership option;
- Members who have a legitimate interest and/or who are impacted by the changes

#1 Stratco Structures



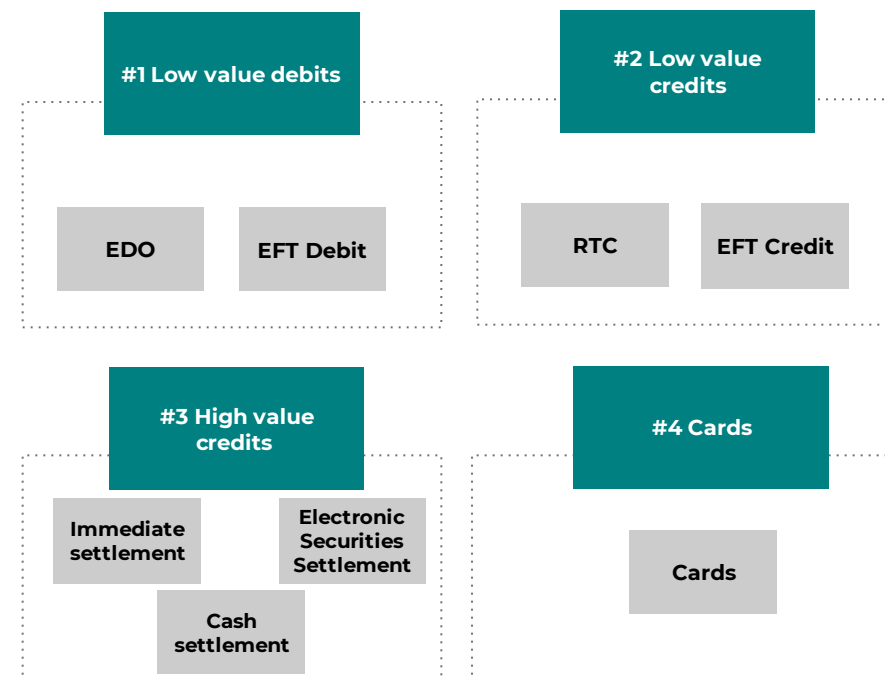
Role of Stratco Structures

- Co-ordinate and align a holistic view of the payment stream
- Develop strategy for specific payment streams
- Responsible for aligning support for ongoing innovations in the respective payments stream
- **Maximum 30 members** – include representatives from membership groupings showed below

Participation in Stratco structure

Description	SI clearing participant	Operators (PSOs)	Clearing participant	PSPs	Other interested or impacted parties
Low value debits Stratco	✓	✓	✓	✓	Dependent on membership type
Low value credits Stratco	✓	✓	✓	✓	Dependent on membership type
High value credits Stratco	✓	✓	✓	✓	Dependent on membership type
Cards Stratco	✓	✓	✓	✓	Dependent on membership type

The existing PCH PGs in PASA can be aligned to proposed payments groupings (to be finalised in transition phase) :



Member Structure #2: Rule making and regulatory structure



PIB Function

- Setting the interoperability rules
- Ensuring interoperability across operators via acting as common standard authority
- Act as a mediator if scheme owner is unable to resolve scheme rule disputes
- Consult with the industry to define payment initiation standards
- Monitor compliance as mandated

Considerations

- Balancing right of issuers and acquirers (or collectors and payers)
- Strong preference for consensus over voting
- Voting parameters (allocation of votes, what constitutes a winning vote, does the Chair have a deciding vote)
- Is the Chair elected from the committee members or independent (PIB employee)

Sub-structures

Interoperability Rules	Only clearing participants in that stream
Clearing standard setting	Only clearing participants in that stream
Standard setting for payment initiation layers	All parties involved in providing that type of payment initiation, as well as clearing participants for impacted streams
Compliance monitoring	Should be conducted by PIB personnel as independent parties

Recommendations

- Sufficient consensus is preferred, but a supermajority* should be required to carry any vote (so deciding vote for Chair does not apply)
- All clearing participants must participate in interoperability rules and standards structures and each should have a vote
- Standard setting for payment initiation layers committee size should be limited (Leo Lipis best practice suggested 30) and if necessary, made up of representatives of constituencies
- Recommend independent chairs (PIB employees) for payment initiation layer standard setting given more diverse participants
- Recommend member appointed chairs for interoperability rules and standards given the operational expertise required

Member Structure #2: Rule making and regulatory structure



Member categories	Interoperability Rules*	Clearing standard setting*	Standard setting for payment initiation layers*	Compliance monitoring
SI Clearing participants	Voting Participant	Voting Participant	Voting Participant	No member representation; conducted by independent PIB personnel
Operators (PSOs)	Voting Participant	Voting Participant	Voting Participant	
Clearing participants	Voting Participant	Voting Participant	Voting Participant	
PSPs	Consulted	Consulted	Voting Participant	
Other interested or impacted parties	Consulted / Informed	Consulted / Informed	Consulted / Informed	

Member Structure #3: Risk and Operational Effectiveness (ROE) Structures



PIB Function

- Use the PASA Risk framework and enhance it to reflect the new scope of PIB
- Perform risk remediation and mitigation actions as defined
- In-scope components of Payment System Operations

Considerations

- Although decisions are taken in these forums (risk ratings, assessment of risk relative to risk ratings, operational effectiveness standards), these decisions should be strongly based on clear and agreed frameworks
- Sufficient consensus is preferred, but a supermajority* should be required to carry any vote (so deciding vote for Chair does not apply)

Recommendations

- As this falls within the Payment System management, the forums should only incorporate those parties who participate in the payment system under consideration
- The decisions in these forums should be based on agreed frameworks for defining and managing risk and for assessing operational effectiveness
- Decisions should be made by consensus or supermajority
- Forums should be chaired by independent SMEs – i.e., PIB personnel
- All parties whose operational effectiveness and risk elements are being considered should be included – so system operators and participants
- Critical to ensure that robust incident communication mechanisms are in place for impacted users who are not represented on these forums

Member Structure #3: Risk and Operational Effectiveness (ROE) Structures



Member categories	ROE Structure*
SI Clearing Participants	Voting Participant
Operators (PSOs)	Voting Participant
Clearing participants	Voting Participant
PSPs	Consulted
Other interested or impacted parties	Informed

Member Structure #4: Strategy Structures



PIB Function

- Leveraging multiple regulatory vision documents, PIB mandated to define (in consultation with industry) a multiyear payments strategy for the country; draws up a development roadmap with initiatives
- Provide inputs into Industry strategic issues

Considerations

- How to structure payment stream strategy committees given the convergence across payment streams (e.g., real time credits in RPP and Card)
- Whether there should be an overarching committee or whether emerging topics should be allocated to specific payment stream working committees
- Should there be different levels of strategy committees: i.e., committees responsible for developing payment stream roadmaps for specific payment streams, vs other committees looking across payment streams
- Maintaining strategy committees at a manageable size

Structure Composition

Structure*	Number of attendees	Made up of
Overarching Payments Strategy	Max 30	SI clearing participants, PSO, clearing participants; PSP and Other interested or impacted parties
Common services e.g., overlay and initiation services	Max 30	SI clearing participants, PSO, clearing participants; PSP and Other interested or impacted parties
Others (emerging strategic topics)	Max 30	SI clearing participants, PSO, clearing participants; PSP and Other interested or impacted parties

Recommendations

- Strategy work will be done within a payment stream specific **Strategic Committees (Stratcos)**, mainly to determine the roadmaps for such existing payment stream development and modernisation, e.g.:
 - Low value debits
 - Low value credits
 - High value credits
 - Card
- A further level of strategic coordination is required to collaborate on common overlay and other allied functions (e.g., proxy, QR codes) which need to apply across multiple payment streams
- A single **overarching Strategy Committee** should consider these areas of convergence and also look at emerging payments trends and should formulate an overarching strategy that aligns with Vision 2025 objectives (The big picture)
- Specific strategic issues or interests can be pursued within **dedicated (topic specific) forums or working groups** as required

* Payment Stream specific strategy will be handled by Stratcos

Member Structure #4: Strategy Structures



Member categories**	Overarching Payments Strategy*	Common services e.g., overlay and initiation services*	Others (emerging strategic topics)
SI Clearing Participants	Voting Participant	Voting Participant	Voting Participant
Operators (PSOs)	Voting Participant	Voting Participant	Voting Participant
Clearing participants	Voting Participant	Voting Participant	Voting Participant
PSPs	Voting Participant	Voting Participant	Voting Participant
Other interested or impacted parties	Consulted / Informed	Consulted / Informed	Consulted / Informed

Member Structure #5: Project Structure



PIB Function

- Involvement in certain projects depending on project type. (e.g., involvement in interoperability related projects, projects involving multiple PSOs, projects involving changes to PIB rules)
- Provide platform for getting market participants together to discuss innovations

Considerations

- Is there a need for decision making in project structures? What governance should be in place for project decisions?
- How do you balance the interests of all the parties participating in a project structure (and do you need to balance interests if the project charter is clearly defined)?

Recommendations

- All SI Clearing Participants, PSOs, and other Clearing participant, who have to deliver on a given project must have direct representation
- PSPs and Users who also have to deliver should have representation on an association/ representative basis (not individually)
- While every attempt should be made to keep the project structure to a manageable size, there must be adequate involvement from all those who are impacted
- Decision making should be limited to project elements: scope and timing (funding is not within the scope of the PIB)
- Whether the project allows for some parties to go live before others or requires a coordinated industry go-live should determine how time and scope decisions are made
- All members not required to be part of the project structure should be given an option to be informed of project artifacts, activities and progress

Member Structure #5: Project Structure



Member categories	Project structures*
SI Clearing Participants	Voting Participant
Operators (PSOs)	Voting Participant
Clearing participants	Voting Participant
PSPs	Voting Participant (Via associations or individually)
Other interested or impacted parties	Voting Participant (Via associations / representation basis, not individually)

Member Structure #6: Consultation Structure



PIB Function

- These forums exist to ensure consultation with those who are impacted but do not have a seat at the decision-making forum table
- The design principles require robust consultation with impacted parties and further require that the minority voice should be considered

Considerations

- These forums exist to ensure consultation with those who are impacted but do not have a seat at the decision-making forum table
- The design principles require robust consultation with impacted parties and further require that the minority voice should be considered
- Escalation processes must exist so that consultation forums can choose to escalate matters where they are not satisfied with the decisions made after consultation. This implies that consultation forums must be told the outcome of the decisions on which they were consulted
- Consultation forums should be encouraged only to escalate material matters and not to use the escalation mechanism as a means to obstruct industry progress
- Best practice makes it clear that transparency from decision making forums is critical for the consultation process to be credible

Recommendations

- Consultation structures are made up of **other interested or impacted parties** (and when applicable PSPs)* who do not have a seat at the decision-making table
- Forums should be chaired by an elected chair from the impacted constituency
- Consultation can happen via any formal platform including physical or virtual means such as but not limited to mails
- The chair or vice chair of the decision-making forum should present the proposed decisions and engage with feedback from the consultation forum
- The feedback must be relayed to the decision-making forum and must include majority and minority views
- The consultation forum must be informed of the decision ultimately taken and why the decision was made
- Consultation forums should mirror rule making and regulatory forums (e.g., if there is a DebiCheck rule forum, then there should be a DebiCheck consultation forum)

Member Structure #6: Consultation Structure



Member categories	Consultation structure*
SI Clearing Participants	Informed
Operators (PSOs)	Informed
Clearing participants	Informed
PSPs	Consulted / Informed
Other interested or impacted parties	Consulted / Informed

Advisory Committees



The Advisory Committees are a structured way for the PIB to obtain expertise in focused areas including but not limited to cybercrime prevention, fraud.

Few examples of Advisory Committees:

- Cyber security advisory committee
- Fraud prevention advisory committee
- Cross border payments advisory committee
- Legal and Competition Act committees

Considerations

- Provide expert counsel and professional support (e.g. legal drafting of rules, contracts and legal opinion) on issues raised or any specific topic pertaining to PIB functions and scope
- As an expert committee, the committee should reach consensus and not resort to voting. If consensus is not possible, strong differing opinions such as "minority" opinions should be acknowledged in the committee's report to the Board, structures it supports and participating members
- Ensuring best practice / expert recommendations or services given to the Board and other structures.
- Topic-specific expert advisors (members or non-members) should be included in the advisory committee and independent experts should be paid for their participation

Decision point #C1: Should advisory committees be part of the PIB structure?

Option 1: Yes ✓

Option 2: No

Rationale:

The Board should have the mandate to constitute advisory committees as and when needed. Committee members should be appointed based on their demonstrated expertise and experience in the domain of the committee.

All PIB members should have access to the outputs of advisory committees.

Advisory Committees



Member categories	Advisory committee member*	Advisory committee outputs*
SI Clearing Participants	May appoint SMEs to participate	Informed
Operators (PSOs)	May appoint SMEs to participate	Informed
Clearing participants	May appoint SMEs to participate	Informed
PSPs	May appoint SMEs to participate	Informed
Other interested or impacted parties	May appoint SMEs to participate	Informed
Other representation (Non-member)	Paid experts may be appointed to committee	N/A

* Consultation only apply to the scope areas where the party is active or impacted or provides active support (e.g. legal drafting)



Board Stakeholder Forum

Board Stakeholder Forums are created so that the Board can engage directly with various stakeholders who may not be represented sufficiently elsewhere in the PIB structures. The creation of Board Stakeholder forums will be at Board discretion.

Considerations

- The Board should have the ability to create stakeholder forums engage with members or non-member stakeholders as needed
- Chaired by Board Member and at least one other Board member must attend, one of whom should be independent. Other board members may attend as observers on a voluntary basis
- Ensure that the board has access to the views of different stakeholder groups
- The initial hypothesis is that a stakeholder forum will be required for interested or impacted parties, given the recommendations showing limited representation of other interested or impacted parties on PIB structures (Board and member structures)
- The stakeholder forum could be a key mechanism in the consultation processes envisaged in the design principles

Decision Point #C2: Should the Board be able to create the Stakeholder forums as and when needed?

Option 1: Yes ✓

Option 2: No, there should be only one Stakeholder forum

Rationale:

Board should have ability to create stakeholder forums as and when needed.

Board Composition



Board Composition



Board of Directors Composition in select few global payments bodies

Director Type	Payments Canada ¹	Pay.UK ²	AusPayNet ³	PASA
Principal Regulator Director	0	0	1 (voting)	1 (non-voting)
Executive Director	1	2	1	1
Non-Executive Directors (Members)	5	3	8	>=7; <10
Independent Directors (Non-member)	7	7	2	Min 1, Max 5
Total directors	13	12	12	9 - 17
Percent of Independent Directors	54%	58%	17%	<50%

¹ Source: CPA Act

² Source: Pay.UK official website

³ AusPayNet board consists of equal numbers of appointing and electing non-executive directors where appointing directors are representatives from SIFI's holding minimum market share of 5% and participation in 3 or more payment systems while electing directors are representatives from rest of participant members category. Board numbers are thus variable. (Source: AusPayNet constitution)

Decision point #B1: How many Executive Directors should be on the Board?

Option 1: 1 Executive Director

Option 2: 2-3 Executive Directors ✓

Rationale:

Over dependence on a single Executive Director can lead to biased messaging and accountability issues.

Decision point #B2*: Should the Principal regulator (SARB) be given a Board seat?

Option 1: No

Option 2: Yes, one director from SARB, voting director

Option 3: Yes, one director from SARB, non-voting director (Continue as-is) ✓

Rationale:

A Director from the SARB on the Board will ensure the public policy objectives are in line with the NPS. However, SARB may not be provided the voting power as SARB can exercise higher powers as regulator.

* Although the original Decision Point #B2 signed-off a director from the SARB, the subsequent agreement that the SARB would license and oversee the PIB nullified this decision



Independent Directorship



Considerations

- King IV Report on Governance for South Africa, 2016 recommends a majority of non-executive directors, of whom the majority should be independent
- Our case studies suggest that a majority independent board risks alienating the members, particularly those with material "skin in the game"
- Experience suggests that a minority independent Board, with an independent Chair and Vice Chair is a very workable model
- Independent directors are required to bring balance to the different perspectives put forward by stakeholder representatives

Decision point #B3: What percent of the Board should be independent?

- Option 1:** Less than 50%, – Independent Chair and Independent Vice Chair ✓
- Option 2:** More than 50% (Majority independent) – Independent Chair and Independent Vice Chair

Rationale:

While independent directors are needed for their uninvolved perspective, it is important to balance industry expertise with independence. Directors appointed from member constituencies with material "skin in the game" bring expertise and context to the board. Therefore, it is proposed that the independents, while necessary, should not be a majority.

Board Size



Considerations

- Smaller Board size can lead to easier decision making but at the same time it is less diverse due to reduced members
- Larger board size gives greater opportunity for diversity and broader range of skill sets. However, decision making might not be as efficient as a smaller board size
- A SARB appointee * on the board of directors is necessary to ensure public policy objectives are met and are aligned to the NPS
- To avoid biased messaging more than one executive director can be considered
- Best practices (King IV) suggests it is important to have appropriate mix between independence and industry expertise
- As a member organisation stakeholders should have a material say in running of PIB
- Quorum: A quorum for a Board meeting shall be established at the meeting by sufficient persons to represent at least 50% + 1 by number of the Directors entitled to vote



Decision point #B4: What should be the ideal size of the Board?

Option 1: <10 directors

Option 2: 10-15 directors ✓

Option 3: >15 Directors

Rationale:

It is imperative to decide on board number that not only ensures effective decision making but also allows space for a diverse set of skills and experience.

* Note: Although the original, decision point (#B2) signed-off a Director from the SARB, the subsequent agreement that the SARB would license and oversee the PIB nullified this decision

Board Composition Options



Decision Point #B5: What should be the Board composition of the PIB?

Directors	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6 ✓
Executive Directors	2	2	2	2	2	2
SARB appointed Director	1	1	1	1	1	0
Independent Directors	4	3	4	4	4	4
Directors drawn from SI Clearing participants members	2	3	4	4	3	4
Directors drawn from Clearing participants	2			4	2	2
Directors drawn from Operators (PSOs) members						
Directors drawn from PSP members	4	3			3	3
Directors drawn from other interested or impacted parties members						
Total Size	15	12	11	15	15	15

Rationale:

- The Board will need at least four independent directors to get the right balance of skills to support Risk, Audit, Legal and Governance specialties. The options proposed will also balance the skills and experience of board members to incorporate a good balance from those who undertake majority of the risks in the system and have the most "skin in the game".
- Candidates from a particular category will be able to vote for/against for the nominated candidate from that category. This will ensure the skills from certain environments are reserved and appropriately represented on the Board. All voting members will be eligible to vote for Independent Directors.

Board Committees



The Board Committee is a small working group appointed by the Board, consisting of board members and others, for the purpose of supporting the Board's work. Committees are generally formed to perform expert work and are defined and structured by the Board itself when needed in line with the best practices.

Considerations

- Ensure compliance to local laws & best practice (Company Act, King IV)
- Committees enable better management of full board's time and allow in-depth scrutiny and focused attention
- Ensure the committee has a specific charge or set of tasks to address and ensure board members understand the same
- Have representation of board members within the committee

Few examples of board committees:

- **Audit committee:** Charged with the principal oversight of financial governance and audit assurance
- **Risk Management Committee:** Responsible for framing, implementing and monitoring the risk management plan for the company
- **Nomination and Remuneration Committee:** Ensure that benchmarked remuneration arrangements support the strategic goals of the business and more importantly to conduct performance evaluation of every director



Decision Point #B6: Should the Board be able to determine the Board Committees as and when needed, in line with best practices and prevailing legislation?

Option 1: Yes ✓

Option 2: No, committees should be defined upfront as part of the PIB design

Rationale:

The PIB Board should be empowered to fulfill its responsibilities, and thus should be given the opportunity to determine board committees as and when needed, if minimum compliance requirements are met.

Board Member Appointment Process



Independent board member appointment



Identify suitable candidates

- Nomination committee performs an assessment of the board needs to determine the skills, experience, expertise, diversity required for a balanced board
- Define Board requirements
- Define candidate criteria for role
- Obtain candidates via LinkedIn, head-hunters, network recommendations

Assess candidates

- Nominations committee conducts due diligence, shortlists and interviews.
- Recommends to Board
- Board can appoint on an interim basis until the next General Meeting
- Board recommends to General Meeting

Recommend to the General Meeting

- General Meeting approves or declines recommendations from the Board

Member-elected board member process



Option 1

Member integrated version *

Focus on member involvement in selecting board members

Call for nominations for candidates from in-scope members

- Nomination committee performs an assessment of the board needs to determine the skills, experience, expertise, diversity required for a balanced board
- Call for nominations to all in-scope members.
- Call for nomination must include requirements / criteria
- Members may nominate any appropriate candidate, not necessary from own resources
- At least two member representatives must support the nomination and the candidate must accept the nomination

Assess candidates

- Nominations committee conducts due diligence, reviews nominations against criteria and accepts / rejects candidates depending on whether they meet minimum requirements
- Nominations committee may request additional information / interview in need
- The Board puts forward nominees who meet the criteria to the in-scope community for election

Forward to the in-scope membership for election

- The in-scope membership elects Board representatives from the nominees who meet the criteria as determined by Nomination Committee
- Each member may cast a vote per board seat
- The nominees receiving the highest votes are appointed to the Board

*Process runs up to three times, depending on option selected on slide 'Board Composition'

*Whereas SI clearing participants directly appoint employees to the governing body in the PASA model, this approach means that governing body appointments from SI clearing participants will go through the same nomination, evaluation and election process as applies to all governing body members.

Member-elected board member process



Option 2

Board driven process *

Focus on balanced skills and diversity in thinking

Identify suitable candidates from the constituency

- Nomination committee performs an assessment of the board needs to determine the skills, experience, expertise, diversity required for a balanced board
- Define Board requirements
- Define candidate criteria for role
- Identify suitable candidates from the member group
- Confirm candidate willingness to accept nomination

Assess candidates

- Nominations committee conducts due diligence, reviews nominations against criteria and accepts / rejects candidates depending on whether they meet minimum requirements
- Nominations committee may request additional information / interview in need
- Nomination committee recommends preferred list of candidates to Board
- Board recommends preferred list to the general meeting

General meeting

- Approves (elects) or declines proposed candidates via a normal majority (50%)

*Process runs up to three times, depending on option selected on slide 'Board Composition'

*Whereas SI clearing participants directly appoint employees to the governing body in the PASA model, this approach means that governing body appointments from SI clearing participants will go through the same nomination, evaluation and election process as applies to all governing body members.

Member elected board members: Continuum of options



Hybrid process at continuum of options

Focus on balanced skills and diversity in thinking with member involvement

Member integrated
process

Option 1



Rationale:

As a member-based organisation, some deviation from standard practice is acceptable. This model is therefore a compromise between the current PASA environment and the more traditional process.

Hybrid approach

Board driven process with additional controls such as:

1. 75% approval by General Meeting for appointment of board members recommended by the Board; OR
2. Focus on matters reserved for the general meeting to ensure member involvement

Board driven
process

Option 2

*Process runs up to three times, depending on option selected on slide 'Board Composition'

✓ Recommendation

AGM Voting





What is the role of the AGM and what are key considerations when thinking about the AGM?

- Approval of ordinary and special resolutions
- The Companies Act sets the minimum standards. The Mol (Memorandum of Incorporation) is where the company can impose a more onerous requirement, such as requiring that matters which, in terms of the Companies Act, are normally ordinary resolutions can be amended to require these to be a special resolution if so required.
- There are instances where this is done to comply with the provisions of other legislation (in a normal corporate environment, this happens to comply with the JSE Listings Requirements). In the case of the PIB, changes to the COFI Bill, Omnibus Act or NPS Act may result in a consequential amendments being required to the Mol.



AGM Voting (new proposed slide)

Approach to AGM Voting – Decision points

Principles:

Design Principles apply and guide AGM Voting, especially **DP 1.6** “The PIB decision making process must have controls to ensure that a single category cannot dominate the others”

Decision Points

Decision Point	Recommendation	Considerations/Rationale
Decision #1	No differential weighting between participants in different categories	Aligns with Design Principles
Decision #2	Three categories out of four as well as overall/aggregated support must meet the support levels required for votes to carry	
Decision #3	Provisions of the Companies Act for ordinary and special resolutions applies as a minimum but the MOI can change these minimum requirements; to stricter requirements	Companies Act applies as a minimum For Ordinary resolutions it is 50% +1 For Special resolutions it is 75% +1
Decision #4	The Companies Act will be the legal baseline for what qualifies as an Ordinary or a Special resolution. The MOI can, within the provisions of the Companies * Act, make changes to guide the determination of Ordinary resolutions vs. Special Resolutions	Alignment with the Companies Act Within legal provisions prescribed in the Companies Act, the MOI can change

Illustrated as per Company Act application (MOI can change)

Illustrative

General Meeting



Are we quorate?

>25% across categories

Ordinary resolution

Requires both 50%+1 across and

50%	50%	50%	50%
-----	-----	-----	-----

...in any three categories

Special resolution

Requires both 75%+1 across and

75%	75%	75%	75%
-----	-----	-----	-----

...in any three categories



Board Mandate and Powers





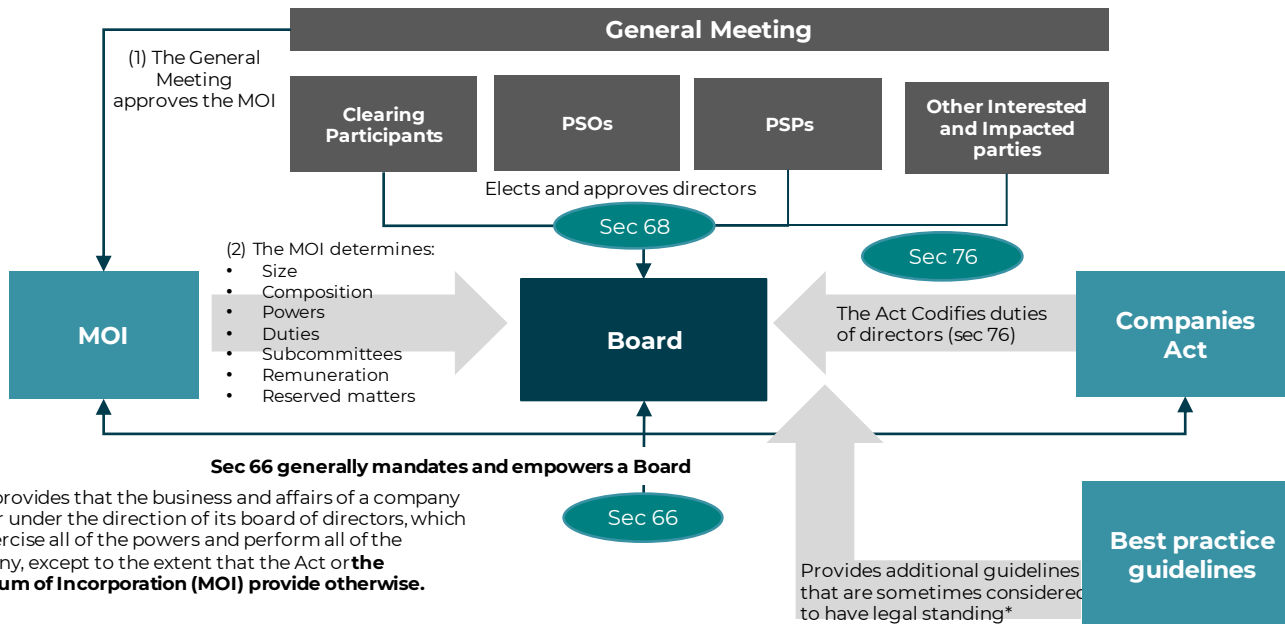
Board Mandate and Powers

How does the board derive its mandate?

The Memorandum of Incorporation of the company (or constitution of the voluntary association) defines the company's purpose and objectives, and further identifies reserved matters which do not fall within the mandate of the Board.

In terms of **Section 68 of the Act** each director must be voted on by a separate resolution at a general meeting of the company. The company's Memorandum of Incorporation may prescribe a different process for the election of directors by the shareholders. However, it must still amount to an 'election'.

King IV™* prescribes a formal and transparent Board appointment process



As per steps (1) and (2), the General Meeting, made up of members, determines the member mandate to the Board. The Regulatory Recognition will come from the licensing of the PIB

Section 76: Addresses the conduct and duties of directors by compelling them to act in good faith and in a manner they believe to be in the best interest of the company and with a degree of skill and diligence

Section 66: Of the Companies Act provides that the business and affairs of a company must be managed by or under the direction of its board of directors, which has the authority to exercise all of the powers and perform all of the functions of the company, except to the extent that the Act or the company's Memorandum of Incorporation (MOI) provide otherwise.

King IV™* (Principle 7): Appropriate mix of skills, knowledge and experience; appropriate mix of executive, non-executive and independent directors

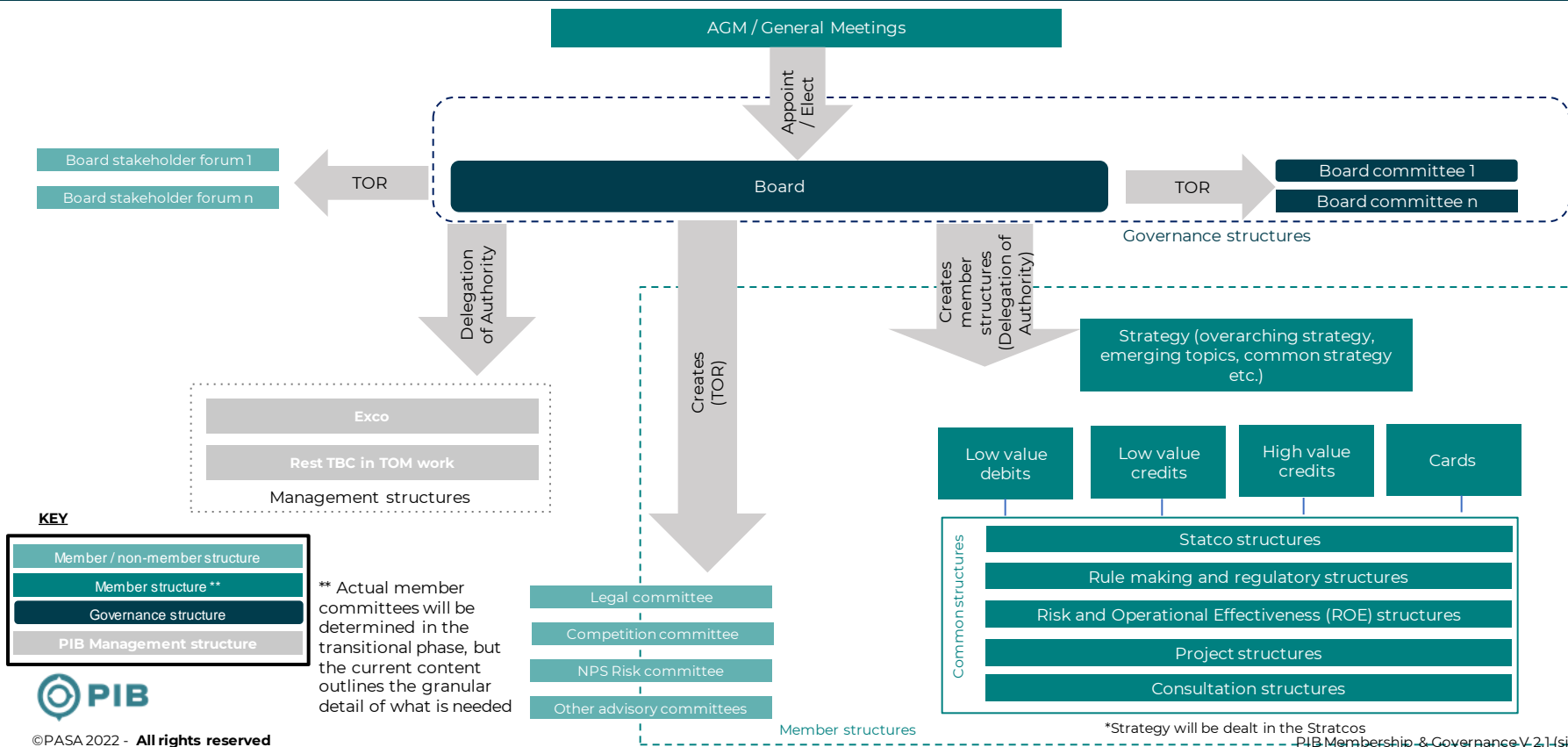


In Minister of Water Affairs and Forestry vs. Stiffontein Gold Mining Company Ltd and others 2006 SA 333(w) the court makes direct reference to the King IV Code™* that points to evidence that the King IV Code™* has de facto become part of the duties of Directors*
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PIB Conceptual Structure



Proposed PIB Conceptual Structure Illustration



New Payments Industry Body

PIB Funding & other Obligations
version 2.0

Signed off on 16 August 2022

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Funding & other Obligations discussion points



1

Introduction

- Preamble
- Shared public good utilities
- Funding Guidelines

2

Overview on Total Funding / income sources for the PIB

- Part A: Subscription fees
- Part B: Balance sheet transfer
- Part C: Other additional charges
- Annual Budget Allocation Steps

3

Funding Part A: Subscription fees

- Indicative Funding from OIIP (Other Interested or Impacted Parties)
- Annual Budget allocation (indicative numbers)
- PSP and OIIP sizing definitions

4

Funding Part B: PASA Assets

- Fair value share allocation of PASA assets

5

Other Obligations

- Obligations of members, other than Funding



Funding Preamble

You are reminded that there are large areas of uncertainty in the indicative approaches and numbers presented in the funding section. These include:

- The Target Operating Model and Day 1 function of the PIB is still to be determined and costed, so the amount to be funded is yet to be determined
- The number of licensed, PSP members is unknown and is based on the number of current PASA authorised SOs and registered TPPPs. This is further complicated by the lack of clarity on whether the new licensing regime will be in place when the PIB is created.
- The number of Other Interested & Impacted Parties is unknown, particularly to the extent that parties may choose to be members individually and via their chosen association.
- Legal complexities relating to PASA's tax exemption and the need to align the status of the PIB to retain a tax exemption
- The impact of the COFI Bill on the number of licensed entities and therefore on the proposed funding approach

We have therefore agreed on a two-stage funding process, where the first sign-off is principle based and, at the appropriate time, sign-off will be sought on the actual funding requirements. **Your sign-off on this module is limited to:**

1. Confirmation that you are indeed willing to pay your fair share of the PIB costs.
2. Approval of the funding approach and principles articulated (not the indicative numbers), with the understanding that it will be moderated for the real requirements, once those are known.



Shared public good utilities

The National Payment System can be described as a shared, public good utility that provides a common payments infrastructure for all. Financial services providers compete by building their own product and service offerings on top of the common infrastructure. Similarly, the PIB, in its critical role in managing the interoperable middle mile and ensuring interoperability of payments can be seen as a shared, public good utility.

The approach taken to pricing for risk (represented by transaction volumes and values), benefit derived (represented by revenue earned from payments, with volumes and values as an approximation), and effort expended by the PIB (represented by membership rights and obligations) reflects this thinking, and results in the users of the NPS carrying PIB costs roughly proportionate to their NPS usage.



Funding Guidelines

Following are the proposed funding guidelines:

- I. Board shall approve annual budget for the PIB. Member engagement and the role of the AGM, in testing the acceptability of the budget with the members will be considered. A two-step process will be followed. Step 1 - Expert working group to agree guidelines, determine actual funding model formulas, and validate reasonability using indicative figures. Step 2 - The community will be re-engaged once the actual PIB budget has been determined as part of the transition
- II. The budget shall be funded by allocating the combined costs across (1) Direct clearing participants : systemically important and other clearing participants; (2) PSOs; (3) PSPs and (4) Other interested or impacted parties.
- III. Funding from direct clearing participants (including SI and other clearing participants) should be calculated based on their Payment system Market share (total throughput, market share based on clearing volumes and values)
- IV. Funding from PSOs should be calculated based on their market share of total throughput (across all PSO managed payment systems). Market share calculated for clearing volumes & clearing values across payment systems
- V. Funding from PSPs should be calculated based on the number of payment systems/streams they participate in moderated for size (medium, large and small). Size moderation is based on revenue following guidelines from SCHEDULE 1: The new National Small Enterprise Act thresholds for defining enterprise size classes by sector, using 2 proxies for Finance and Business Services Source: Government Gazette, 15 March 2019. No 399. It is practically not possible to allocate funding based on their market share or throughput as different types of PSPs might be involved in different types of activities.



Funding Guidelines

Following are the proposed funding guidelines (continued):

- VI. Other impacted and interested parties should only pay minimal/fair amount (fixed fee) considering their limited involvement in the PIB structures and shall vary depending upon their opted membership type (Basic/Prime).
- VII. Members who haven't historically contributed to PASA's assets need to commit to pay fair and equitable value share of PASA's assets that will be transferred to PIB. It should be in the proportion of their annual funding. This fair value recovery may take place over a number of years.
- VIII. PIB shall be entitled to levy separate charges for various services including but not limited to events, conferences, training and MIS provision. This should be applicable for both members and non-members.
- IX. PIB shall be entitled to levy one-time admittance fee to its members.
- X. The funding model should be simple and transparent: Funding model must be simple and easy to communicate. Funding inputs and data must be reliable, achievable, practical and sustainable. Participants should be able to replicate funding based on applicable funding formulas to the extent that data can be shared under the Competition Act.
- XI. A reduction in operating expenses due to some functions moving out of PASA will have a corresponding reduction in the PIB annual budget funding requirements.



Total PIB funding / income sources

Total Member obligation =

Part A:
Annual budget allocation – Applicable
for all members



Part B:
Carry forward for PASA (going forward
PIB) assets – Applicable for members
not previously part of PASA



Part C:
Any other additional charges levied
from time to time

Part A: Members shall pay an annual subscription to the PIB, calculated to allocate the annual budget

Part B: Commitment to paying of fair value share of assets of PASA that will be transferred to PIB

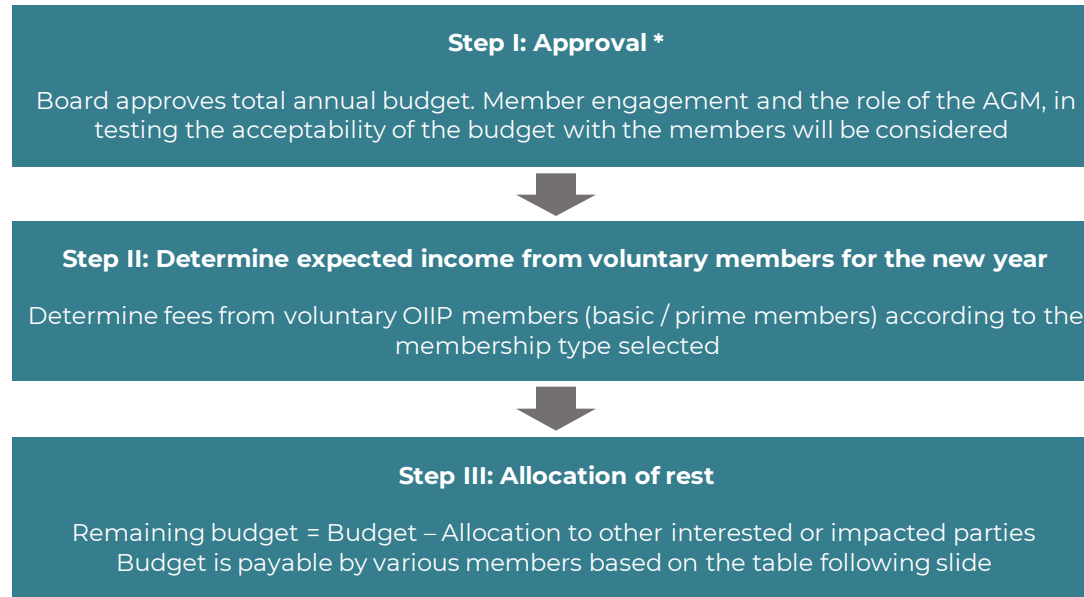
Part C: In addition to annual budget allocation and carry forward for PASA assets commitment, PIB shall be entitled to levy separate charges for

- Training (for members and other third parties)
- Conferences, seminars etc., (for members and other third parties)
- Access to management information

Funding Part A: Annual Budget allocation steps



The PIB annual budget allocation will be determined through three conceptual steps.





PSP and OIIP sizing definitions

PSP and OIIP Funding moderation will be based on the organisation being deemed Large, Medium, Small and Micro following the below preliminary guidelines

PSP and OIIP Size *	Total annual turnover ***
Large **	Above R85m
Medium	Between R35m and R85m
Small	Between R7.5m and R35m
Micro	below R7.5m

* Organisation size for Medium, Small and Micro is from SCHEDULE 1: The new National Small Enterprise Act thresholds for defining enterprise size classes by sector, using 2 proxies for Finance and Business Services

Source: Government Gazette, 15 March 2019. No 399

** Large is deduced as exceeding the stipulated thresholds from the Government Gazette as the thresholds are for Medium, Small & Micro only.

*** Total annual turnover for this purpose is defined as revenue of the registered entity that accredited to the South African NPS. This will be based on self declarations.

Note: A survey will be conducted to assess the spread of PSP over the above sizing categories. This will be used to calibrated to the actual PSP funding models for the first year, which will be reviewed on an annual basis thereafter.

Funding Part A – Step III: Annual Budget allocation (indicative numbers)



Pricing Determinants		Membership categories	Mechanism for arriving at the fee	# Members (forecast)	Average per participant COMPUTED (based on 2022 Budget as PIB day 0 budget is not yet available) *	Current Average per participant pre- PIB	% Participation / Market share (calculated***)
Pricing for risk	Systemically important clearing participants	Other clearing participants	Based on a fixed and variable component built on market share of total throughput (across all players), Market share calculated for clearing volumes & clearing values (50:50)	5	R11.4M	R12.6M (range R8M – R15M) Low volume vs high volume	50
				27	R1.8M	R2.0M (range R1.2M – R4.5M)	30
Pricing for effort	Operators (PSOs)		Based on a fixed and variable component built on market share of total throughput (across all PSO managed payment systems). Market share calculated for clearing volumes & clearing values (50:50)	4 **	R3.2M	Nil – no membership subscription paid as they are currently not members	10
Pricing for value added/gains	PSPs		Based on a fixed and variable component built on number of payment systems/streams participation moderated for size (medium, large and small), following moderation guidelines as per next slide.	250 - 350	R43,000	R12,000 (Excluding remittance providers - insufficient data; TPPPs currently not members)	10

* All things equal, to be reviewed in the first 12 - 24 months, thereafter annually.

** The figures were inclusive of Strate. Strate would still clear Equity, Money Market and Bonds transactions and would take ownership of the clearing rules. Settlement rule writing would move to the SARB.

*** This column is calculated based on providing some relief for existing PASA members and suggesting reasonable fees for new PIB members.

Funding Part A – Step II: Indicative funding from Other interested or Impacted Parties



Membership types for Other Interested or Impacted Parties. This type of membership is available to Associations or individual voluntary members:

- **Basic membership** is for information benefits only.
- **Prime membership** is for information & consultation benefits, per payment stream.

Organisation Size *	Basic Membership **	Prime Membership
Micro	R1,500 – R 2,500	Fixed pricing of R50,000 – R100,000 per area of involvement / additional payment stream ***
Small	R3,500 – R 5,000	
Medium	R5,500 – R 8,000	
Large	R8,500 – R 12,000	

* Refer to the slide titled "PSP and OIIP sizing explained" for definitions. This will be calibrated to the actual numbers.

** Fees will be reviewed in the first 12 - 24 months, thereafter during the annual budget review.

*** Payment streams are (1) Low value debits (2) Low value credits, (3) High value credits and (4) Cards.

Note: Where consultation is required by law and/or best practice on stakeholder engagements the PIB will consult accordingly, irrespective of membership status

Funding Part B: Fair value share allocation of PASA assets



Considerations for deciding recovery of fair value of PASA assets	Member Categories	Liable to contribute for assets	Decision Point #F1: How should the value of PASA assets be recovered in the PIB?
<ul style="list-style-type: none"> Assets from PASA to move across to PIB Members who have not historically contributed to those assets will need to contribute their corresponding portion This contribution could be recovered over a few years This contribution portion should be determined on the same basis as the annual funding allocations 	Systemically important Clearing Participants	No	<p>Option 1: Members not previously part of PASA to pay equal contribution</p> <p>Option 2: Contribution by members not previously part of PASA in proportion to their funding ✓</p> <p>Rationale: It is crucial for members who have not historically contributed to the creation of PASA's assets to contribute in proportion of their funding obligations.</p>
	Operators (PSOs)	Yes	
	Clearing participants	No	
	PSPs	Yes	
	Other interested or impacted parties	Yes	

✓ Recommendation

Funding Part B: Indicative Balance sheet transfer and seed funding



Members who have not historically contributed to PASA's assets need to commit to pay a fair and equitable value / seed funding to the PIB. It should be in the proportion of their annual funding. This fair value / seed funding may take place over a number of years. The forecast balance sheet (which will be calibrated to the actual numbers on transition to PIB) is as below:

	Forecast min	Forecast max
Full Balance sheet transferred to PIB – 100%	R20m	R30m
Fair value / seed funding – 20%	R4m	R6m
Average cost per each new member – forecast 250 new members. One time admittance fee paid in year 1 *	~R15,000	~R24,000
Average annual recoupment over 5 years, should participant elect to a payment plan **	~R3,000	~R5,000

Repayment options:

- (1) Pay the full amount up front and enjoy full membership rights
- (2) Pay the amount in equal portions over 5 years and enjoy full membership rights
- (3) Make no payment towards the balance sheet and forgo membership rights (Annual subscription fees still apply) until the full recoupment has been paid through membership fees

Notes:

Contributions will apply to all types of new members who join the PIB, including Other Interested and Impacted Parties, PSOs and PSPs.

* Conservative numbers (only 250 new members) were used with the calculation of these contributions.

** New members who join after year 1 will need to contribute proportionally for the 5 remaining years (e.g. if joining in year 2, 80% will be payable). The balance sheet will be deemed to be fully paid after 5 years





Other Obligations

Other obligations of the membership categories:

Membership categories	Reporting Obligations	Commitment of resources	Compliance obligations
Operators (PSOs)	Provide information in the format requested within the required time interval	Commitment of adequately skilled and mandated representatives into structures where they participate	Obligation to meet the requirements of rules as set by the PIB
Systemically important Clearing participants	Provide information in the format requested within the required time interval	Commitment of adequately skilled and mandated representatives into structures where they participate	Obligation to meet the requirements of rules as set by the PIB
Clearing participants	Provide information in the format requested within the required time interval	Commitment of adequately skilled and mandated representatives into structures where they participate	Obligation to meet the requirements of rules as set by the PIB
PSPs	Provide information in the format requested within the required time interval	Commitment of adequately skilled and mandated representatives into structures where they participate	Obligation to meet the requirements of rules as set by the PIB
Other interested or impacted parties	Provide information in the format requested within the required time interval	Commitment of adequately skilled and mandated representatives into structures where they participate	Obligation to meet the requirements of rules as set by the PIB

Thank you



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