

Payments Industry Body Design



The design report co-created by the
South African Payments Industry

November 2022





How to read this report

Please take note of the following:

- Content that has been formally signed off through the PIB Design Process is depicted in *italics*
- In Membership & Governance, section 5.3.2.4, “OIIIP Member Participation Options”, two competing options were signed off and are presented in this report. These are documented in *blue italics*
- In compiling this report, every effort has been made to adhere to the signed-off content. In the unlikely event that there is a discrepancy between the signed-off content (available online on <https://newsletter.pasa.org.za/pib-sarb-reports-signed-off-annexes/pib-20220816-pib-design-all-signed-off-topics-annexure-g>) and this report, the signed-off content will prevail

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Table of contents

1. Programme Approach	3	5. Membership & Governance	77
1.1 Introduction.....	3	5.1 Consultation and Sign-Off Process	77
1.2 Background.....	3	5.2 Developing the Decision Framework	79
1.3 Context.....	4	5.3 Signed-off Membership & Governance	80
1.4 PASA as Facilitator of the PIB Design.....	5	6. Funding & other Obligations	113
1.5 Programme Approach.....	7	6.1 Consultation Process and Sign-Off Process.....	113
1.6 Mobilising all the participants in the process.....	9	6.2 Developing the Funding Model.....	115
1.7 Governance structures and key processes.....	12	6.3 Signed-off Funding & other Obligations.....	116
1.8 Kick-Off Workshop and Stakeholder Survey	14	7. Design Conclusion & Transition Planning.....	122
1.9 Workshop Delays and Changes to Programme Cadence.....	15	7.1 Project Milestones	122
2. Design Principles	21	7.2 Next Steps.....	124
2.1 Role of Design Principles	21	7.3 Remaining items for Sign-Off in the PIB Transition Phases.....	125
2.2 Consultation and Sign-Off Process.....	21	7.4 Transition recommendations	125
2.3 Signed-off Design Principles.....	22	7.5 Other consequential benefits	125
3. Functions & Scope	26	7.6 Adherence to the SARB guiding principles for creating the PIB	126
3.1 Consultation and Sign-Off Process.....	26	7.7 Concluding remarks from the Project Team.....	128
3.2 Three-Dimensional PIB Model	27	7.8 Acknowledgments.....	128
3.3 Developing the Decision Framework	28	Annexure A: Acronyms & Glossary	139
3.4 Functions & Scope items excluded from the PIB Design	30	Annexure B: Sign-Off Results.....	143
3.5 Signed-off Functions & Scope.....	31	Annexure C: Industry Workshop Attendance numbers and Participants	150
4. Mandate & Recognition	73		
4.1 Background.....	73		
4.2 Consultation and Sign-Off Process.....	73		
4.3 Signed-off Mandate & Recognition	73		
4.4 Two-Pillar model proposed by the SARB.....	75		

CHAPTER 1

Programme Approach

“It is in your hands to
make of our world a
better one for all.”

Nelson Mandela



1. Programme Approach

1.1 Introduction

The regulatory architecture of the National Payment System (NPS) in South Africa has been under review since 2016. In 2021, the South African Reserve Bank (SARB) recognised the importance of an industry structure, primarily to protect the interoperability of the NPS and to prevent fragmentation of the “middle mile” of payments. The below preamble to the Design Principles (section 2, “Design Principles”) explains the need for such an industry body:

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.

1.2 Background

In 2015 developments in the global and domestic payments landscape, notably the change to a Twin

Peaks regulatory model, necessitated a review of the effectiveness of the Payment System Management Body (PSMB) model which underpins the functioning of the Payments Association of South Africa (PASA). The review also covered issues identified in the SARB’s ongoing oversight of the affairs of PASA and various concerns raised by payment industry stakeholders in respect of the PASA model.

In September 2018, National Treasury published a Policy Paper entitled “Review of the National Payment System Act 78 of 1998” (hereafter referred to as “the Policy Paper”). This document is available online on <http://www.treasury.gov.za/publications/other/NPS%20Act%20Review%20Policy%20Paper%20-%20final%20version%20-%202013%20September%202018.pdf>. This Policy Paper referenced the earlier pieces of work entitled “PASA / Payment System Management Body (PSMB) Model Review Consultation Paper”, published in October 2015 and a subsequent document “Final Report on the Review of the Effectiveness of PASA” published in July 2016. The Policy Paper proposed the withdrawal of the PSMB concept included in the current NPS Act and, by implication, significant changes to the broader role played by PASA in assisting the SARB to manage the NPS. Other changes proposed in the 2018 Policy Paper of relevance to this report included: greater inclusion / access to the NPS for non-banks; that the SARB should be responsible for licensing all entities providing payment services and operating payment systems; changes to the way various industry rules are managed; and activity-based regulation.

After much debate and reflection on the role of PASA and whether there was indeed a need for any kind of payments industry body, in June 2021, the SARB presented a proposal for change to its Payments Council, a strategic consultation forum, which affirmed the SARB’s view that there is a need for a payments industry body to assist the SARB in managing the NPS. The SARB further proposed this be implemented through the design of a new, more inclusive, industry body for the payments industry and

suggested the purpose and principles in approaching this design. The Payments Council consequently agreed that the payments industry should embark on the process of designing a new payments industry body. The Payments Council further agreed that the co-design process should be facilitated by PASA.

The SARB’s intent and expectations of a new industry body were explained in detail at the PIB Kick-Off Workshop held on 7 September 2021. In this session, Mr Tim Masela, the Head of the National Payment System Department (NPSD) at the SARB, provided an overview of the proposal made to the Payments Council. The SARB’s expectation was for payment stakeholders to collaborate on the design of the PIB and to propose a structure that would enable a world class payment system. Mr Masela further elaborated on **the purpose of the PIB** as a body that would need to:

- Ensure that it served the interest of the NPS
- Achieve and maintain interoperability
- Support the SARB and other relevant regulators in ensuring a safe and efficient NPS
- Contribute to the achievement of Vision 2025 (available online on <https://www.resbank.co.za/en/home/publications/publication-detail-pages/media-releases/2018/8319>), the strategy paper which sets out the policy goals for the NPS

Mr Masela emphasised that the regulatory objectives were to ensure that the centre holds (i.e. that it does not fragment and that interoperability is maintained), that the middle-mile infrastructure works efficiently, and that collaboration and cooperation between stakeholders is achieved. Urgency was thus required in addressing how a payments industry body would accelerate the objectives, while also addressing uncertainty among payment system participants, Operators, users, associations and PASA. Furthermore, in order to protect PASA assets, skills and resource continuity, the design had to follow an accelerated outcomes-based approach.

In line with its request, the SARB presented the following principles to guide the creation of the new PIB:

Pursuit of interoperable systems

Improved communication and interoperability between payment systems will help in preventing fragmentation and lead to a more harmonised and competitive payments ecosystem. Interoperability continues to be an important policy objective for the South African NPS that will prevent fragmentation of multiple, disparate payment systems providing similar payment offerings, where such offerings have limited reach and are thus available only to a select set of customers.

Representative and inclusive industry structures

As stated above, community efforts aimed at improving payment systems and standards should be transparent and involve all payment system participants and other relevant stakeholders. Driving representivity and inclusiveness should be inherent in the set objectives, which would ultimately then determine which stakeholders would need to be included.

Developing efficient and effective payment systems should be viewed as a source of competitive advantage for South African banks and non-banks (i.e. financial technologies (fintechs) or retailers), as the functionality offered by payment systems would be leveraged by individual participants to compete with one another through the offering of new products and services.

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Collaboration and cooperation

Improving and modernising payment systems can only be successful with a collaborative approach among industry stakeholders. Community efforts aimed at improving payment systems and standards should be transparent and involve all payment system participants and other relevant stakeholders. Accomplishing this collaborative approach requires clearly articulated objectives and, crucially, an enabling structure/s which drive the objectives and regularly monitor progress.

Pursuit of the broader goals of the NPS

The complexity of the NPS, and the competing interests of the various stakeholders therein, make it necessary to focus on industry-wide objectives to ensure implementation and maintenance of an effective middle-mile infrastructure.

The slides that were used in the presentation to the Payments Council are available online on <https://newsletter.pasa.org.za/pib-sarb-reports-signed-off-annexes/pib-sarb-presentation-to-payments-council-june-2021-annexure-h>.

1.2.1 Purpose of the Report

Considering this background, the purpose of this report is to outline the Design Principles and recommendations for the PIB Design, as agreed by the Industry, and to present such to the SARB. It includes PASA's approach and facilitation of the programme to demonstrate that an inclusive, credible, transparent and comprehensive process was followed in arriving at the signed-off PIB Design.

1.3 Context

1.3.1 Key Considerations for the implementation of the PIB

The design and establishment of the PIB would require alignment with the ongoing regulatory changes in the South African payments landscape, most specifically the changes to the NPS Act outlined in the 2018 Policy Paper. In this context, the SARB highlighted the following considerations at the outset of the PIB process:

1.3.1.1 Licensing

- One of the recommendations on powers and the functions of the SARB in the 2018 Policy Paper proposed that "the SARB should be responsible for licensing all entities providing payment services and operating payment systems."
- At the time of the PIB Design, PASA authorised (licensed) PSOs (Payment Clearing House (PCH) System Operators) and SOs (System Operators), and also registered TPPP's (Third Party Payment Providers). PASA admitted eligible entities such as banks, mutual banks, branches of foreign institutions, co-operative banks and designated

clearing system participants as members, to participate in payment streams (PCHs) in accordance with PASA and the PCH entry and participation criteria. The SARB designated clearing system participants who were not banks (e.g. Diners Club), into clearing.

- With the upcoming amendments to the NPS Act, the SARB would in future license all payment system participants, including banks, mutual banks, co-operative banks, branches of foreign institutions, designated clearing system participants, PSOs, SOs and TPPP, according to the activity performed by each entity. These licensed entities would thus be possible members of the PIB and therefore, along with other entities such as fintechs, MNOs and the like, needed to be part of the PIB Design Process.

1.3.1.2 Rules

- The Policy Paper proposed significant changes to the way in which interoperability, operational and technical rules should be set and managed. These changes were to be considered in the design of the PIB.
- At the time of the PIB Design, the SARB was implementing the RTGS Renewal Programme to refresh the SAMOS RTGS settlement system. As part of that initiative, the SAMOS operating model was being reviewed and it was agreed that settlement rules would move from PASA to the SARB.

1.3.1.3 Recognition

- At the time of the PIB Design, PASA was recognised as a PSMB by the SARB, in accordance with the NPS Act.
- One of the recommendations on regulatory approach in the 2018 Policy Paper was that “the PSMB model should be discontinued, removed from the NPS Act and replaced with the proposed future regulatory model”.
- Therefore, the amendments to the NPS Act would not provide for a PSMB.

- Nonetheless, the SARB acknowledged that some form of Regulatory Recognition may be necessary for the PIB to function. To that end, the SARB asked the Industry to consider what would be necessary to support an effective and functional PIB.

In line with these expected changes to the regulatory architecture, this report therefore includes the considerations and recommendations on the PIB Mandate & Recognition, as requested by the SARB.

1.4 PASA as Facilitator of the PIB Design

During the PIB Kick-Off Industry Workshop held on 7 September 2021, Mr Tim Masela affirmed the SARB’s support for the design and ultimate establishment of a PIB. The SARB had been responsible for the design of PASA when the latter was founded in 1996. PASA had built significant knowledge and a sound understanding on managing the middle-mile interoperability since it was founded and was therefore ideally positioned to facilitate the design of the PIB. Although PASA would facilitate the process, as supported by the Payments Council, the SARB would still maintain oversight thereof.

PASA’s history of managing payments in the NPS is summarised in figure 1.1 “PASA’s journey as a Payment System Management Body”.

The PSMB model should be discontinued, removed from the NPS Act and replaced with the proposed future regulatory model.

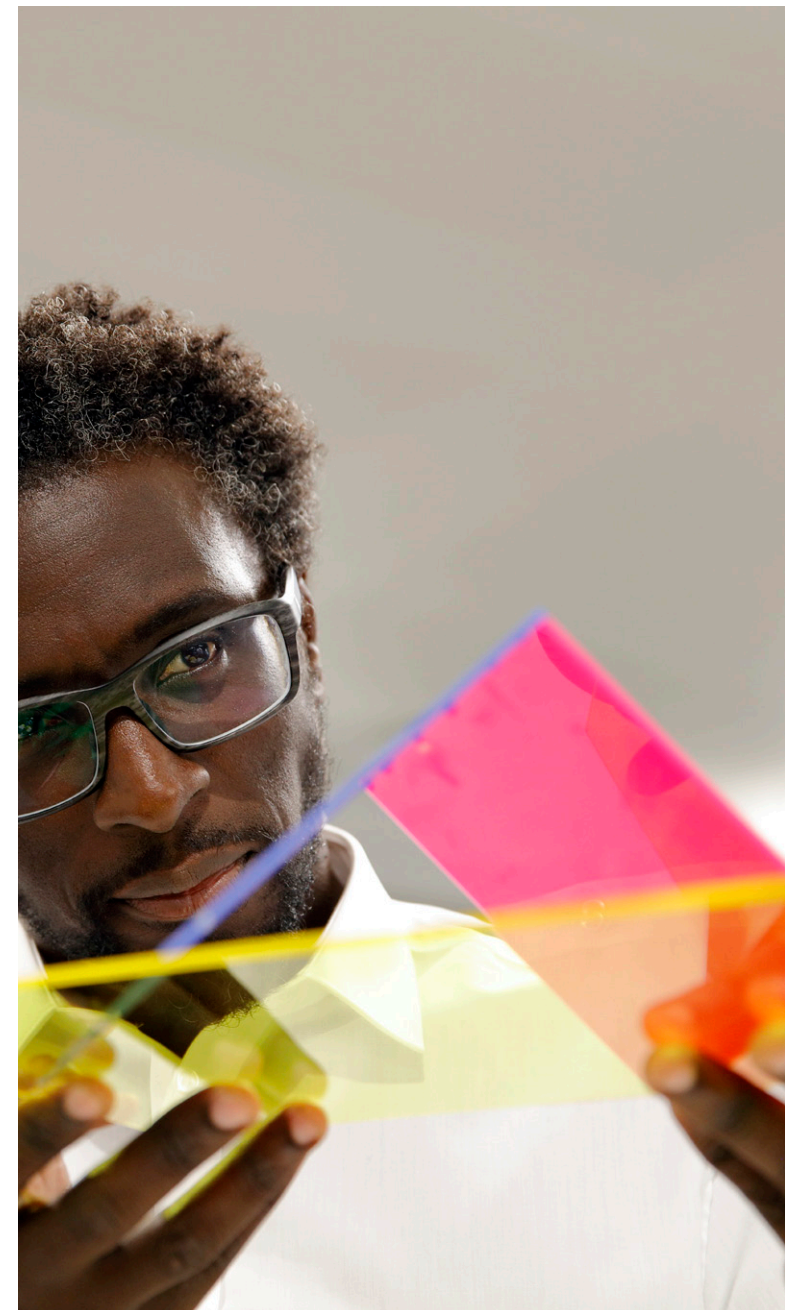
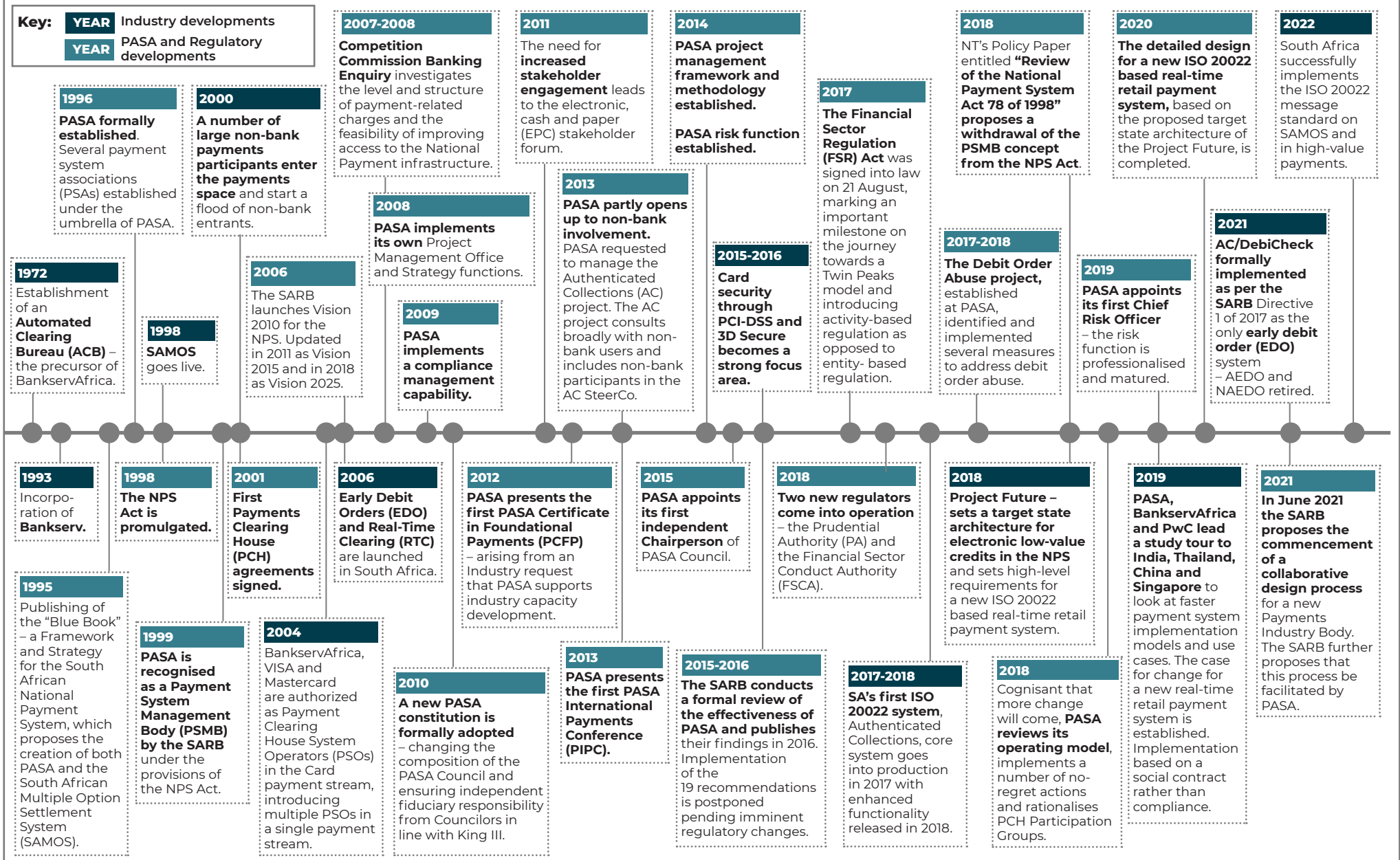
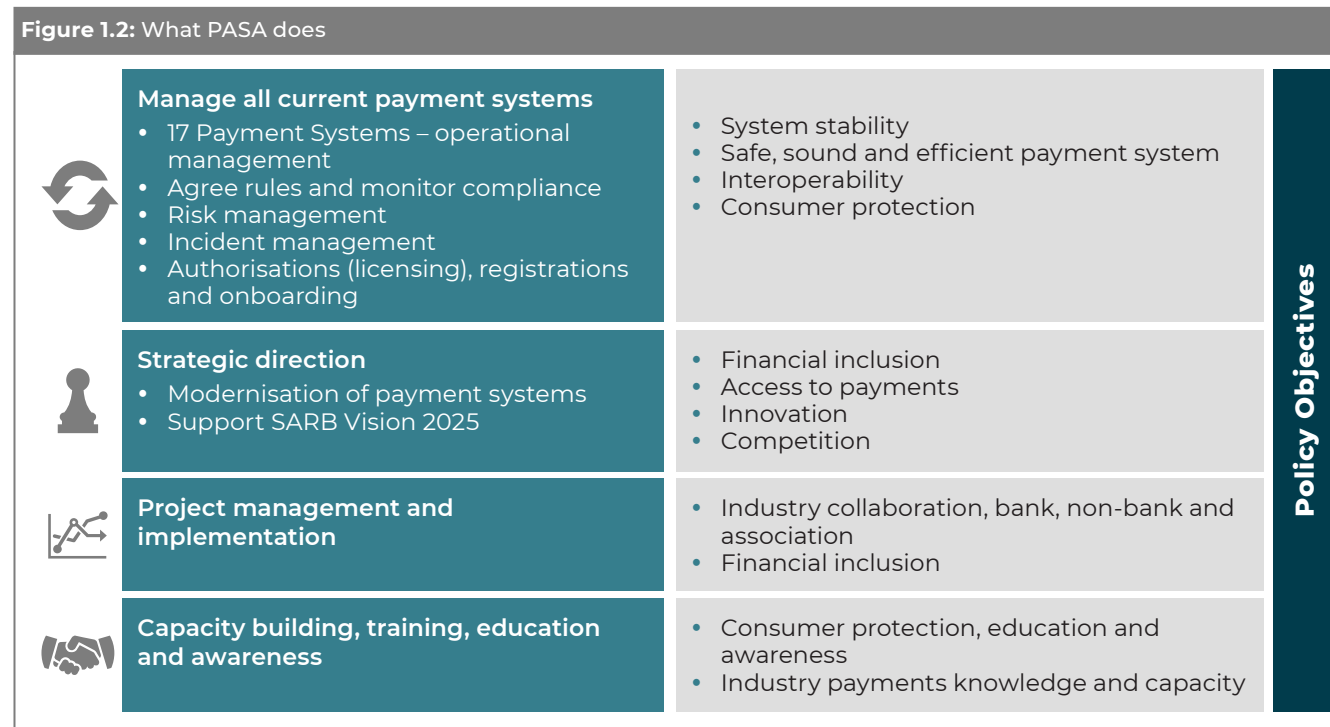


Figure 1.1: PASA's journey as a Payment System Management Body



At the time of writing this report, PASA played a critical role in the South African payments industry, adding value by managing its members' activities in the NPS from a strategic, operational and a delivery perspective. This role can be summarised as follows:



Linked to this was the need to also establish a culture of collaboration at an industry level. The Project Team thus implemented the following capabilities in order to expedite the process and accelerate mobilisation of the industry:

- A robust programme governance structure as described in section 1.7, "Governance structures and key processes"
- Comprehensive Design Principles as articulated in section 2, "Design Principles"
- A Project Management Office (PMO) to assume primary responsibility for the overall planning, delivery and coordination across all the various workstreams and teams, working closely with the PASA management team
- The use of virtual workshops to allow for accelerated collaboration and change at scale
- The creation of a new project identity, entirely independent of the PASA brand, with branded communication for all stakeholder engagements
- A case study-driven workshop approach to provide options and considerations in accelerating decisions. This required the establishment of a "research and content team" which was responsible for global topic research, case study preparation, briefing packs, workshop content and documenting outputs

In the ask to facilitate the PIB Design, PASA was faced with two challenges:

- **Capacity:** Based on the number of initiatives managed by PASA, its capacity was already stretched with the day-to-day and modernisation activities underway within the payment systems
- **Independence:** PASA would need to facilitate the process while also being required to share its expertise and viewpoints to obtain a workable outcome

Given these challenges, the PASA Council and management agreed that support would be required for the PASA team to provide both project capacity

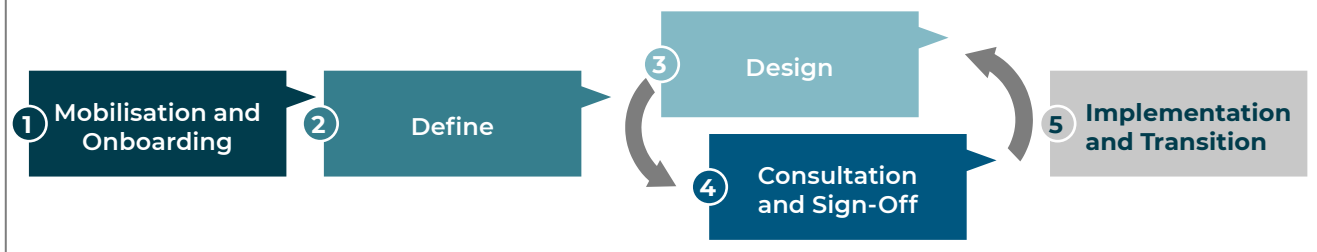
and to ensure process independence. Although PASA had been running online member workshops during the COVID-19 lockdown, it still lacked the experience in running workshop engagements at a much larger scale. PASA, having followed a robust Request For Proposal and procurement process, selected PricewaterhouseCoopers (PwC) to assist in fulfilling this role.

The Project Team consisting of senior PASA and PwC resources started the initial programme design work and planning in July 2021. For the PIB Design Process to be rapid, effective, valid, inclusive and outcomes-focused, the utilisation of modern techniques was vital in accelerating this large-scale systemic change.

1.5 Programme Approach

Given this was the first time a PIB was being co-designed by all stakeholders, there was no previous process or roadmap to be followed. It was therefore recognised from the start that the programme process itself would be emergent and subject to change. During the early planning stages, it was decided that the programme approach would cover five sequential phases. In practice though, the programme did not follow these neatly delineated were run concurrently and iteratively as illustrated below.

Figure 1.3: The programme phases



The programme phases are explained below:

1.5.1 Mobilisation and Onboarding

The Mobilisation and Onboarding phase of the programme covered the establishment of the PASA and PwC Project Team (as listed in section 7.8, “Acknowledgements”), definition of the programme structures, mobilisation of the programme structures (including the Design Team) and development of the first attempt at a detailed programme plan. The planning work included agreeing the ways of working between PASA, the SARB and PwC, identifying the community to participate in the process (section 1.6, “Mobilising all the participants in the process”), defining the approach to ensure stakeholder inclusion and collaboration on topics and principles, and lastly, planning a workshop cadence.

To ensure validity and credibility of the process, the project adhered to strict governance and project management disciplines. This governance included detailed attention to project and workshop coordination, as well as transparent, public and complete artefacts (workshop scheduling, presentations, write-ups, workshop output, FAQs, etc.) to ensure that the participation, discussions and decisions were accurately and comprehensively recorded. Finally, the governance included auditable tracking of participation and Sign-Offs by the Industry.

1.5.2 Define

The Define Phase of the programme determined how the Design Phase would be executed. More specifically, this included:

- A programme Stakeholder Survey and invitations to the Kick-Off Workshop
- Engaging with the Design Team in preparation for the Kick-Off Workshop
- Preparing for the Kick-Off Workshop
- Planning and starting to implement a supporting communication strategy
- Regular engagements with key stakeholders to obtain input and advice on the proposed programme approach

1.5.3 Design

At the heart of the project, the Design Phase developed the content to allow participants to collaborate, deliberate and choose between PIB design options. The key Design Topics to be covered during this phase were initially agreed as:

- Design Principles
- Mandate & Recognition
- Functions
- Scope
- Membership and Funding
- Governance

The detailed work for the PIB Target Operating Model and the PIB Transition were originally included as part of the Design Phase but were subsequently descoped and moved to the later Transition Planning Phase as these topics came to be understood as an operationalisation of the Design, rather than core components of the Design itself. The Design Phase did, however, cover key principle considerations for these two respective topics. (Please refer to section 2.3.6, “DP 5: Transition Design Principles” and the transition considerations in section 7, “Design Conclusion and Transition Planning” for more information).

To accelerate workshop deliberation and decision making, workshop content was based on global case studies and research, and participants were presented with at least two viable options wherever possible. The Industry agenda and briefing material were generally circulated in advance to assist stakeholders to prepare for the workshops. A key challenge experienced by the programme was the establishment of a foundational knowledge basis within the Industry, to ensure proper comprehension of design elements as they related to PASA and similar entities in other jurisdictions. As such, the programme was required to accommodate the educational needs of the Industry and incorporate this element into the workshop cadence and agendas accordingly.

1.5.4 Consultation and Sign-Off

As content development progressed, it became clear that each topic built on previous content. For example, the Design Principles were foundational to everything that followed; Functions & Scope were used to determine Membership Structures; and Functions & Scope determined the Mandate & Recognition requirements. As such, the Design, Consultation and Sign-Off cycle had to be managed iteratively and on a topic-by-topic basis. The logical grouping and order for the topics was found to be:

- Design Principles
- Functions & Scope

- Mandate & Recognition
- Membership & Governance
- Funding & other Obligations

The signed-off content was documented in this report. Programme participants were asked to ensure that the contents of this report accurately reflect the signed-off content for each topic.

Figure 1.4 below depicts how the Industry engagements and various Sign-Off iterations unfolded during the PIB Design Project.

A presentation deck with the Industry Workshop agendas is available online on <https://newsletter.pasa.org.za/pib-sarb-reports-signed-off-annexes/pib-industry-workshop-annexure-f-agendas-from-20210907-to-20220728>.

1.5.5 Implementation and transition

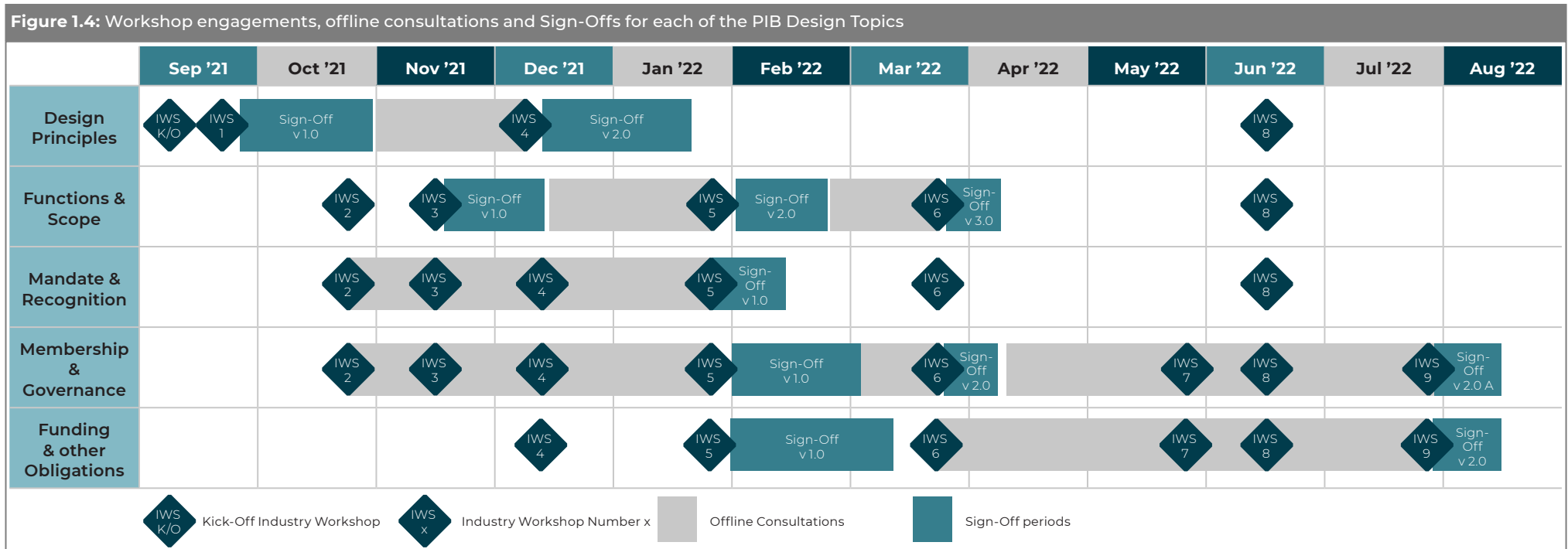
The final stage of the programme would aim to develop and implement a roadmap for transitioning PASA into the new PIB. It should be noted that during the PIB Design project, it was agreed that the transition was not critical for the design report and while this was descoped from the report, key considerations were identified and discussed. The latter can be found in the section 7, “Design Conclusion and Transition Planning”.

1.6 Mobilising all the participants in the process

From the outset, the Project Team focused on industry-wide participation to ensure a visible, transparent and inclusive PIB Design Process. The identification and onboarding of the requisite stakeholders were critical steps in setting the programme up for success.

Leveraging social media such as LinkedIn, communicating to PASA stakeholder forums and all entities registered with PASA, and through advertising on the PASA website, the Project Team invited the broadest possible group of stakeholders to indicate their interest in participating in the programme. All those already known to PASA and everyone who responded to the call for action were included. While the expectation was that organisations providing payment services and running payment systems would be included, organisations involved in physical cash (printing, management and transport), in providing consulting and legal services, and even expert payments consultants requested inclusion in the programme. All these organisations were then formally invited to nominate representatives to participate.

Invites were distributed via email from 23 August 2021.



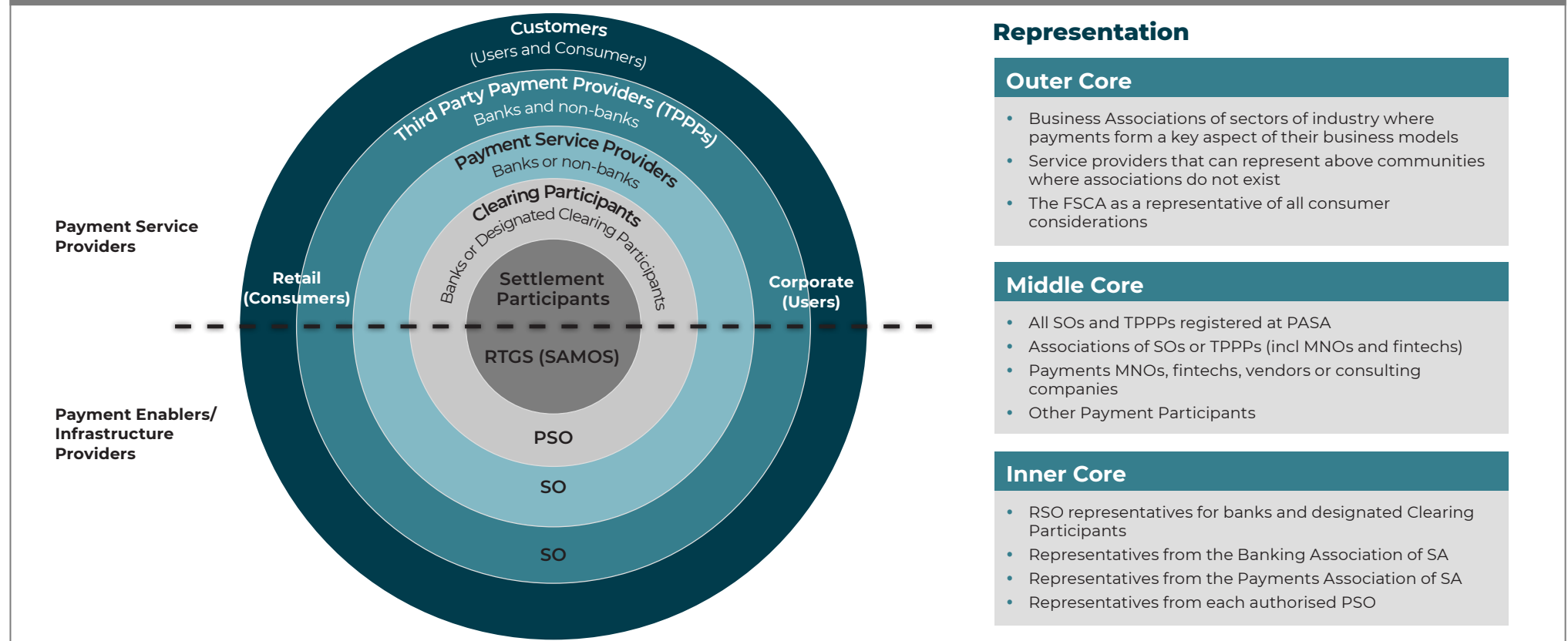
Organisations which approached the project after the start date were allowed to join, as were new TPPPs and SOs who registered with or received authorisation from PASA. The Project Team conducted PIB induction sessions where these new Participants were provided with an overview of the programme approach, project status and a summarised view of the programme content. These parties were also invited to participate in the subsequent workshops and Sign-Off Processes. The number of Industry Workshop attendees is covered in Annexure C, "Industry Workshop Attendance numbers and Participants".

Finally, payments being a two-sided market, a concern was expressed that the voice of the consumer, who often makes up one side of the two-sided market, had not been included. To that end, the Financial Sector Conduct Authority (FSCA) was invited to participate in the programme. Representatives from the FSCA attended the majority of the workshops, and engagements were held with the FSCA to keep them apprised of the programme.

1.6.1 The "Cores"

To help segment the stakeholder groups, interested organisations were grouped according to their then current roles and participation within the payments system. The "Onion Ring" below was used to group the stakeholders in three different segments, referred to as the "Cores". The Cores are articulated below as they were defined at the start of the PIB Design programme. They therefore do not align with the PIB member types or membership categories as later defined in section 5, "Membership & Governance". The Core definitions as determined at the start of the programme have been maintained throughout, as per the figure below, to ensure consistency in reporting:

Figure 1.5. The "Onion Ring": An inclusive and diversified community was engaged





Following the August 2021 invite, organisations were requested to register for, and complete a survey according to their Core and Organisation Type. The figure below details the number of organisations who participated in the Stakeholder Survey:

Figure 1.6: Organisations which participated in the Stakeholder Survey at time of registration

Core type	Organisation type*	Responses
Inner Core	Bank	19
	Designated Clearing Participant	3
	PCH System Operator (PSO)	2
	SUB TOTAL	24
Middle Core – licensed with PASA	System Operator (SO)	30
	Technical payments association**	3
	Third Party Payment Provider (TPPP)	54
	SUB TOTAL	87
Middle Core – non licensed with PASA	Fintech	38
	Mobile Network Operator (MNO)	1
	Other Payments Participant	15
	Payment System Vendor	7
	Payments Consultant	10
	SUB TOTAL	71
Outer Core	Business (user) Association	11
	SUB TOTAL	11
GRAND TOTAL		193

* The Project Team determined Core type from self-declared organisation type

** Technical payments associations are associations whose membership is made up of SOs and / or TPPPs

1.7 Governance structures and key processes

1.7.1 Programme Structures and processes

Given the requirement to work with a large and diverse community of stakeholders, well-defined and articulated programme structures were created to enable the cycle of Design, Consultation and Sign-Off depicted in figure 1.3 “The programme phases” and to ensure that a transparent, inclusive, fair and credible process was followed. Also, cognisance was taken of:

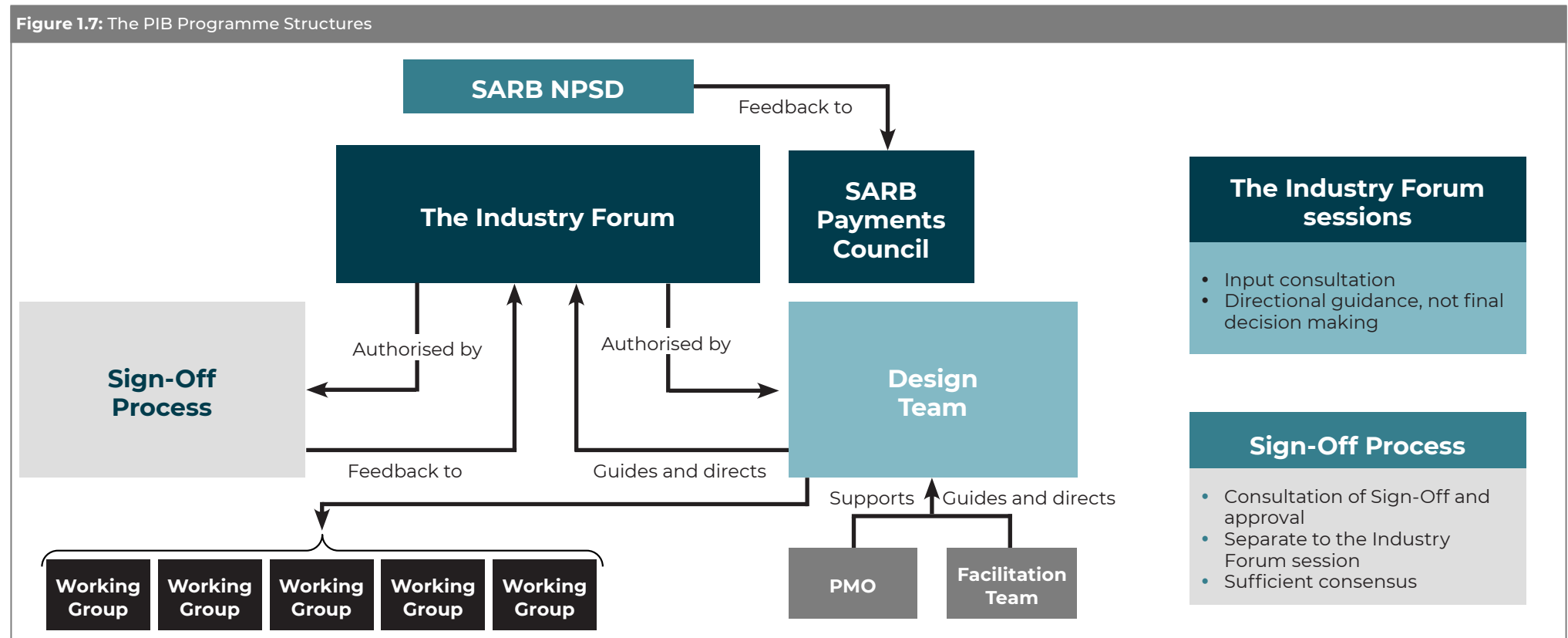
- The concern that PASA as facilitator and subject matter expert is itself an association primarily of

banks, but still had to take a neutral and unbiased approach to both content and process

- The recognition that tens or hundreds of participants cannot co-design content, but that content preparation had to be balanced and fair
- The need to create mechanisms to hear from all those who wanted input into the design, not just those willing to speak up in public forums
- The requirement for a formal Sign-Off Process, separate from the consultation efforts
- The need for a fair and transparent cycle (process) of Design, Consultation and Sign-Off
- The need for dispute resolution processes

Further, clarity had to be obtained between the role of the SARB, as project sponsors, and PASA Council, the ultimate governing body of PASA, responsible for PASA’s facilitation efforts, procurement processes, spend relative to budget and value-add to the industry.

To that end, the Project Team proposed the following programme structure which was then accepted in the 7 September 2021 Kick-Off session. The acceptance of this model was the only time in the programme that the Industry Forum took a decision. Since then, all decisions have gone through the Sign-Off Process which was agreed.



SARB NPSD: National Payment System Department at the SARB, the entity that mandated the PIB Design work, sponsor of the PIB Design project.

SARB Payments Council: A very inclusive body of payment industry participants with whom the SARB consults on strategic matters.

The Industry Forum: A plenary body which comprises all the entities who participated in the PIB Design Process workshops and / or engaged with PIB Design content (simply put, everyone who registered to participate in the PIB Design Process). It is a consultation forum where advice and input were obtained and on whose input design changes and decisions were made.

Design Team: Analogous to an advisory board for the programme. A smaller group of highly respected and credible industry experts to ensure objectivity and independence, guide the programme and act as a “soundboard” for Industry Forum considerations. Please refer to section 1.7.2, “The Design Team” for more information on this team.

Sign-Off Process: The Sign-Off Process was the formal process for participants to approve design content which had been refined through the consultation efforts. This process occurred outside of the Industry Workshops, where organisations could either vote individually or through an association. Only those participants who registered at the start of the programme, or who joined the programme as described in section 1.6 “Mobilising all the participants in the process”, were allowed to vote. The Design Team and Project Team did not have any voting rights.

Facilitation and PMO Team: The combined PASA and PwC Team responsible for the facilitation and management of the PIB Design Project, also referred to as the **Project Team**.

Working Groups: Smaller groups which were formed on an ad hoc basis to explore and propose solutions to specific design challenges. Examples included a legal working group which considered the most appropriate legal entity type for the PIB.

1.7.2 The Design Team

The Design Team, which was constituted in August 2021 during the Define Phase, is composed of credible and respected individuals from the broader payments community. Design Team members were nominated based on alignment to the role requirements and selection criteria. The initial team consisted of nine proposed members and was presented to (and approved by) the Industry at the Kick-Off Workshop on 7 September 2021. Additional members were then nominated by the Industry and the SARB, and following the nomination process, the Design Team was expanded to include a further six members. The latter were introduced to the Industry at the subsequent Industry Workshop held on 23 September 2021.

The Design Team selection criteria included:

- Expertise in some component of the NPS
- Support for the PIB vision and willingness to commit to the demands of the role
- Diverse, trusted, influential individuals with the necessary stature and industry respect
- Willingness to maintain a collaborative spirit and open mind
- A diverse skill set and proficient communication skills

The responsibilities of the Design Team were as follows:

- Ensure that a fair Design Process was followed, and that balanced Design content was presented
- Ensure that all voices were heard
- Bring independent judgement to the PIB process and content
- Provide constructive challenges, strategic guidance, and specialist advice

- Bring a degree of objectivity to the deliberations
- Act as an impartial “honest broker”, helping to make well thought-out and practical decisions, to promote the success of the PIB for the benefit of all stakeholders
- Potentially assist to resolve disputes between parties in the PIB process, if required

The Project Team cannot overstate the value added to the PIB Design Process by the Design Team and regards the guidance of the Design Team as one of the key success factors that made this report possible.

Below is a list of the Design Team members who served on the project and continued to provide guidance at the time of finalising this Design report:

Figure 1.8: The Design Team Members

Name	
Dirk Ehlers	Original Design Team member
Ghita Erling	Original Design Team member
Hennie Ferreira	Original Design Team member
Herman Singh	Original Design Team member
Jacque du Toit	Original Design Team member
Jan Pilbauer	Original Design Team member
Karen Nadasen	Original Design Team member
Rufaida Hamilton	Original Design Team member
Busi Radebe	Joined the Design Team in September 2021
Gavin Reubenson	Joined the Design Team in September 2021
Gerhard Oosthuizen	Joined the Design Team in September 2021
Kagisho Dichabe	Joined the Design Team in September 2021
Wynand Malan	Joined the Design Team in September 2021

During the formation stages of the Design Team, Alewyn Burger, Sydney Gericke and Bradley Watrus also provided guidance. The project would like to thank all three for their valuable contributions.

1.7.3 Sign-Off Process

The Sign-Off Process was proposed and accepted by the Industry to ensure that content was agreed before inclusion in this report. To enable an auditable Sign-Off Process, a voting system was implemented allowing all participants to provide their Sign-Off acceptance or to raise concerns with the proposed material, if necessary. “Sufficient consensus as a principle” was followed, which means that while consensus per core was preferred, a straight majority vote was also acceptable. All three cores had to achieve Sign-Off for a topic to be considered formally approved. PIB participants had the option to vote either via an association or directly. Inner and middle core associations were required to list their members who supported their stance, while the outer core votes were tallied on the basis of the number of associations.

The following guidelines were provided to participants to encourage effective decision making:

- Aim for practical, fair and workable outcomes, as opposed to striving for the perfect model
- Consensus was preferred over a majority vote, although a “sufficient consensus” principle was adopted, and, in practice, all dissenting voices were engaged during the Sign-Off Process
- Cores were encouraged to consider minority voices, but not to allow dissenting voices to create deadlock

The Sign-Off Process also included a mechanism to resolve differences between cores. The first step in this mechanism was to consider and resolve differences using the Design Principles. Failing resolution from the application of the Design Principles, the Project Team played a critical role in resolving material

differences and negotiating acceptable solutions between the cores. The process allowed for the SARB to be the ultimate arbiter in the case of disputes – either during the process or through the potential to include alternative options in this report.

1.8 Kick-Off Workshop and Stakeholder Survey

1.8.1 Stakeholder Survey

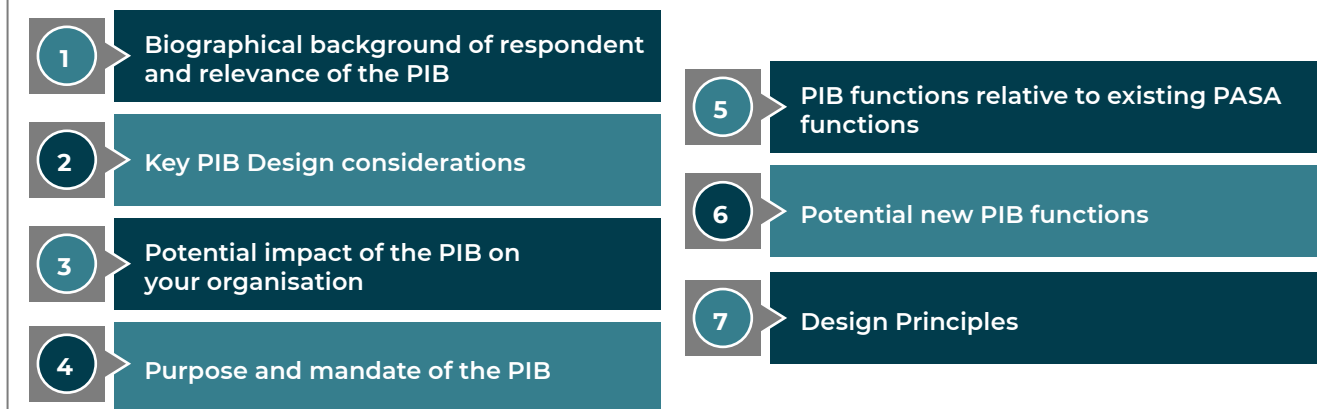
To gauge industry stakeholder expectations on programme outcomes, and their preliminary views on specific design elements, a survey was conducted prior to the 7 September 2021 Kick-Off session. Its purpose was to incorporate an external view in the design of the programme approach and recommendations. Key aspects included are depicted in figure 1.9.

A total of 193 organisations responded to the Stakeholder Survey. A detailed list of survey questions is referenced online on <https://newsletter.pasa.org.za/pib-sarb-reports-signed-off-annexes/pib-survey-questionnaire-annexure-d>.

The results showed a strong correlation with the Vision 2025 policy principles of inclusivity and diversity, which were top considerations for success as expressed by participants in the survey. Below are further key elements which emanated from the survey:

- “The lack of democracy and diverse participation” was the biggest potential obstacle to achieving goals
- “Accelerating the modernisation and innovation of payments to the advantage of all” received the highest importance rating
- “Accommodating the diversity in balancing banks, non-banks and other players” was the top consideration for Governance and Board Composition
- “Inclusivity, diversity and representation” were the biggest gains for respondents
- 80% of respondents indicated that they did not stand to lose anything through the creation of the PIB
- Less than two percent of all organisations regarded “a new regulatory construct” as unimportant
- The most popular organisation type for the PIB was an Association followed by a Non-Profit Organisation

Figure 1.9: Key aspects of the Stakeholder Survey



- The views on the funding of the PIB were very mixed, ranging between “not sure”, “SARB funded”, “membership funded”, “a combination” or “tiered funding”

More survey results are available online on <https://newsletter.pasa.org.za/pib-sarb-reports-signed-off-annexes/pib-survey-results-annexure-e>.

1.8.2 Kick-Off Workshop

As mentioned previously, the Kick-Off Workshop was held on 7 September 2021 and over 200 participants attended this first workshop virtually. The objective of the Kick-Off Workshop was to secure industry support on the proposed PIB Design Process, its guiding principles and related structures.

The Kick-Off Workshop covered the following items:

- Expectations from the SARB as explained by Mr Tim Masela (Head of NPSD SARB) (see section 1.2, “Background”)
- Overview of the segmentation of industry participants for the programme (defining the cores)
- The programme structures, Design Team and Sign-Off Process
- Project branding
- Programme approach and timelines
- Feedback from the Stakeholder Survey
- Introduction of the Design Principles

97% of the participants formally accepted the proposed structures and processes. The few concerns which were raised were addressed in the follow-up workshop held on 23 September 2021. The concerns resolved were a need to improve the demographic and sectoral diversity of the Design Team, a need to clearly articulate the scope of the PIB and concerns about the aggressive timelines.

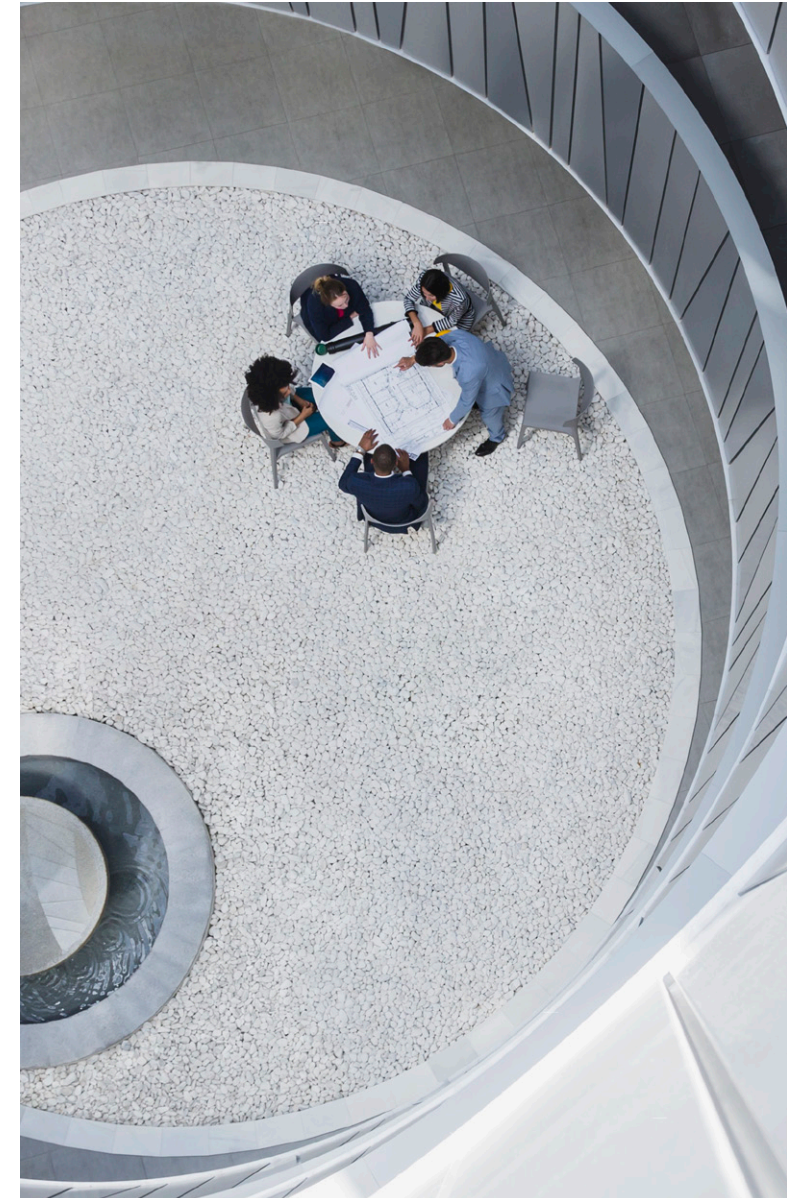
1.9 Workshop Delays and Changes to Programme Cadence

The original plan aimed to provide the SARB with a PIB Design report by December 2021. The Define Phase was completed in August 2021, with the Design, Consultation and Sign-Off phases commencing in September 2021. Early on, the Project Team identified the need for a common language across the payments industry, which in turn highlighted the need for education and changes to the programme approach. In response to industry feedback throughout the programme, the Project Team continuously adapted to participant needs and were able to rapidly change workshop cadence and programme planning.

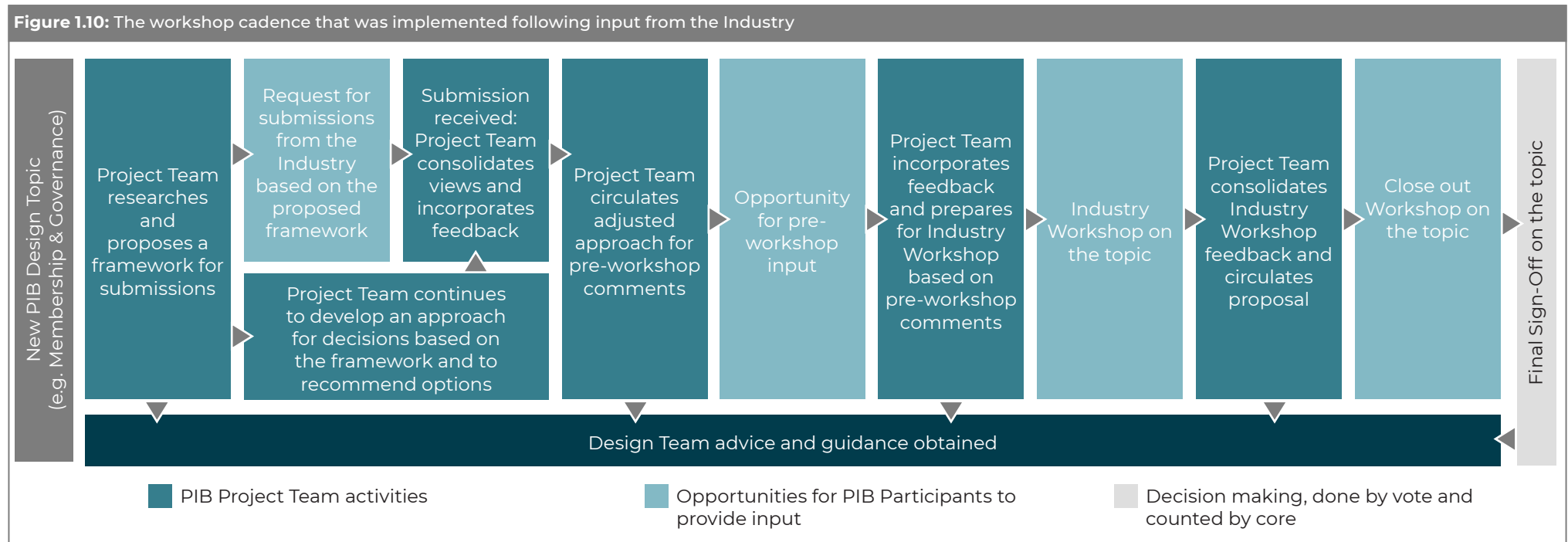
Below are some of the key changes made early during the programme, which ultimately set the foundation for the content and collaboration approach that ensued:

- More time was allowed for preparation and reflection by the Industry and Design Team
- Mechanisms were introduced for the Design Team to collaborate and provide input prior to Design Team check-in meetings
- The project planned for shorter, more frequent check-in meetings with the Design Team
- Educational sessions on the role and function of PASA were incorporated through scheduled induction training
- The length of workshops was limited and workshops were split over two days
- The workshop cadence was amended to allow participants the opportunity to provide comment earlier in the process
- Multiple consultation opportunities were created for each topic
- Allowance was made to workshop each topic more than once
- Additional breakout sessions were scheduled to allow for more discussion during the Industry Workshops

- More practical examples were provided, particularly around the Design Principles, through case studies and interviews with industry experts



The diagram below depicts a high-level view of the revised cadence:



To accommodate these changes, workshop cycles were adjusted to allow participants more time to familiarise themselves with the relevant topics and content. This also included more time to process the information during Sign-Off rounds. Participants were immersed in global case studies, and education sessions from subject matter experts on the technical, governance and cultural considerations.

The programme also called on Mr Tim Masela at certain times to assist in providing guidance and perspective on complex issues. In December 2021, he presented the SARB's view on the Conduct of Financial Institutions (COFI) Bill and consequential amendments, while in March 2022 he provided insight into the SARB's proposal on recognition.

Participants were immersed in global case studies, and education sessions from subject matter experts on the technical, governance and cultural considerations.

Leading local and global experts were approached to share global insights and learnings. This helped to develop a mutual understanding, a common language and steer the desired inclusive culture for the PIB. Below is the list of guest speakers and topics covered:

Figure 1.11: Guest speakers who assisted in the process

Speaker	Title	Topic	Workshop Date
Mihir Gandhi Zubin Tafti	Partner PwC India Director PwC India	Around the world comparative: What have we seen and learnt from other countries	23 September 2021
Jan Pilbauer	CEO BankservAfrica (previously Executive Director Modernisation and CIO at Payments Canada)	Interviews with executives from payments bodies: Payments Canada	23 September 2021
Andy White	CEO Australian Payments Network	Interviews with executives from payments bodies: Australian Payments Network	23 September 2021
Ghita Erling	CEO PASA	Interviews with executives from payments bodies: PASA	23 September 2021
Andy White	CEO Australian Payments Network	How Australia opened their payments industry body to a broader membership	15 November 2021
Leo Lipis	CEO Lipis Advisors	Best practice and lessons from other parts of the globe: governance practices	15 November 2021
Prof. Herman Singh	Independent Director and Advisor	Process reflection	8 December 2021
Adv. Annamarie van der Merwe	Executive Chair FluidRock Governance Group	The role of the Directors and the Board	8 December 2021
Tim Masela	Head NPSD SARB	SARB view on the COFI Bill consequential amendments	8 December 2021
Maurits Pretorius	Chief Strategy Officer PASA	A day in the life of a typical PIB member	27 January 2022
Prof. Herman Singh	Independent Director and Advisor	Culture of the PIB	28 January 2022
Tim Masela	Head NPSD SARB	SARB's proposal on Recognition for the PIB	23 March 2022
Deputy Governor Kuben Naidoo	Deputy Governor SARB	Public good utilities (a case study based on the Richards Bay coal terminal)	27 May 2022
Prof. Herman Singh	Independent Director and Advisor	Industry-level change from a PIB change perspective (a case study based on the telecommunications industry)	27 May 2022

Once the first Sign-Off Process was initiated, it became apparent that most topics would require more than one Sign-Off iteration. The process followed in managing multiple Sign-Off attempts for the same topic incorporated: engaging with all parties who had comment on the content; making content changes as agreed; presenting the changes

at an Industry Workshop; and then resubmitting the updated material, indicating the changes adopted, for another Sign-Off round. The Sign-Off Process itself thus added extra layers of inclusivity and consultation into the PIB Design Process. The below figure details the number of Sign-Off iterations for each topic:

Figure 1.12: Number of Sign-Off iterations per Design Topic

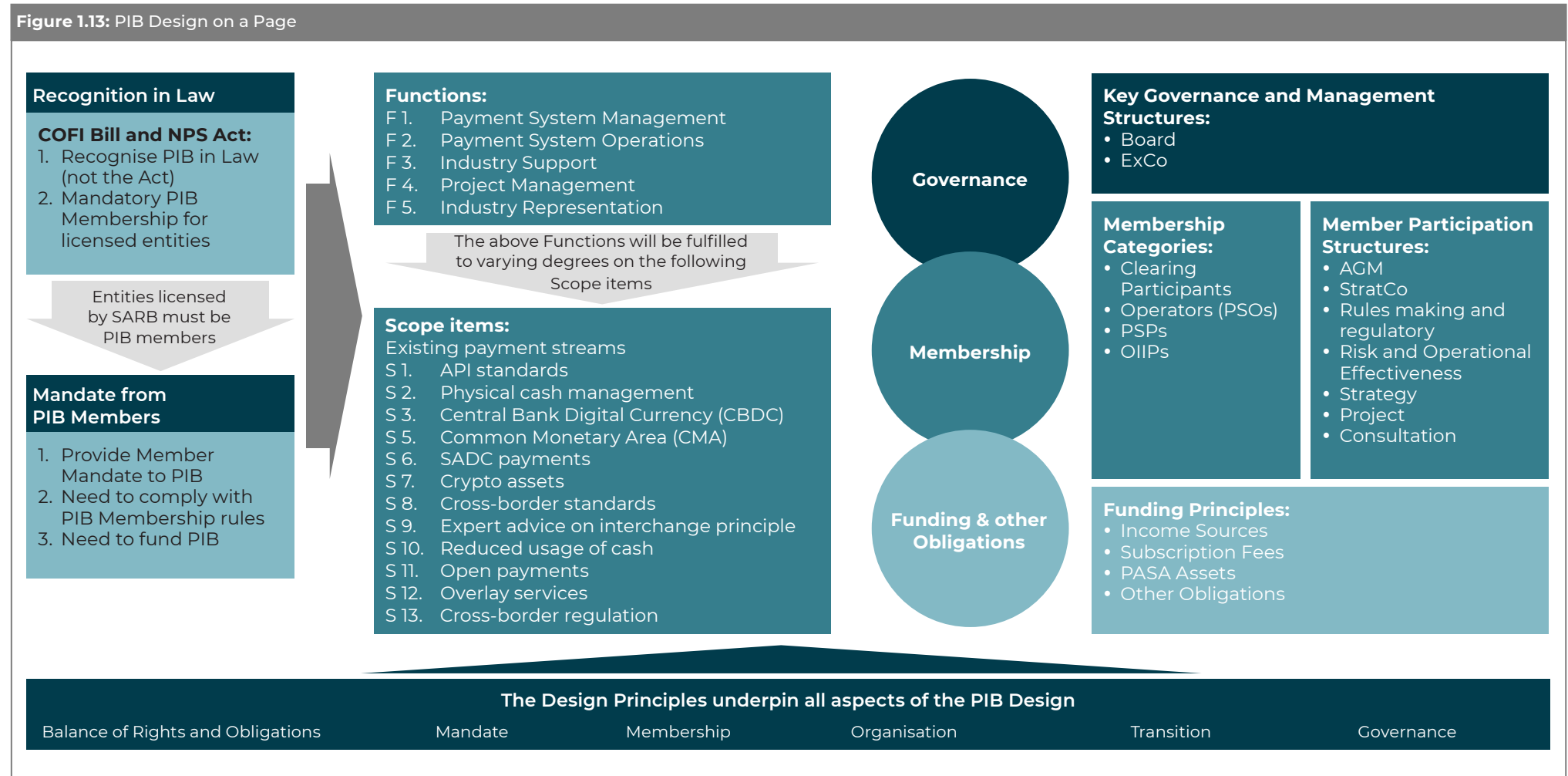
PIB Design Topic	Number of Sign-Off iterations
Design Principles	2
Functions & Scope	3
Mandate & Recognition	1
Membership & Governance	Membership & Governance content excluding Board Composition, AGM Voting and Membership of Other Interested and Impacted Parties 2 Board structure, AGM Voting and Membership of Other Interested and Impacted Parties: 3
Funding & other Obligations	2
PIB Legal Entity*	1

* PIB Legal Entity is covered in this report in the chapter on Membership & Governance (section 5.3.3.1. "PIB Legal Entity").

The Sign-Off Process itself thus added extra layers of inclusivity and consultation into the PIB Design Process.



The following diagram depicts a high-level summary of the programme:



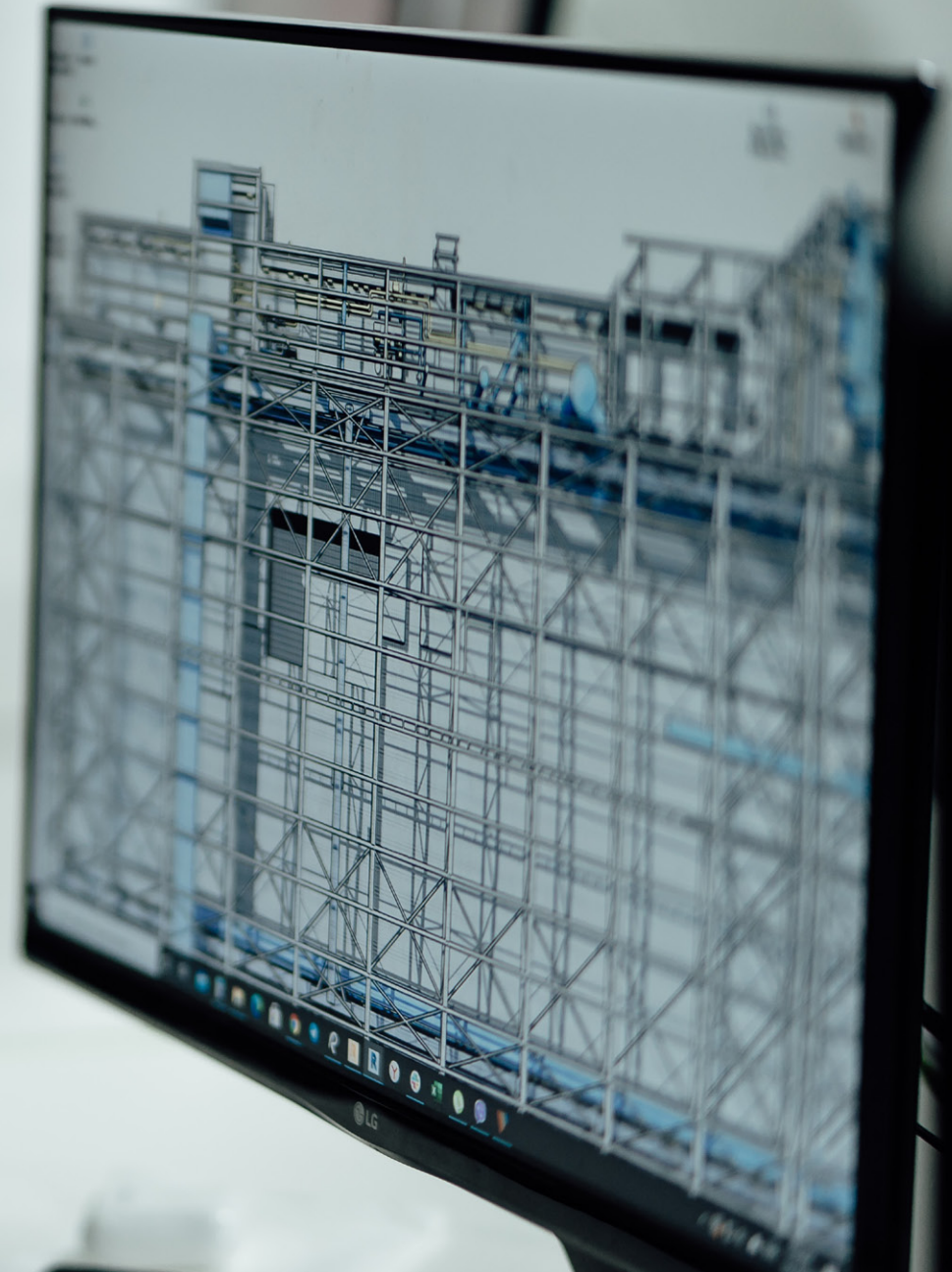
The consolidated deck with the signed-off slides for each of the PIB Design Topics is available online on <https://newsletter.pasa.org.za/pib-sarb-reports-signed-off-annexes/pib-20220816-pib-design-all-signed-off-topics-annexure-g>.

CHAPTER 2

Design Principles

“Effectively, change is almost impossible without industry-wide collaboration, cooperation, and consensus.”

Simon Mainwaring



2. Design Principles

2.1 Role of Design Principles

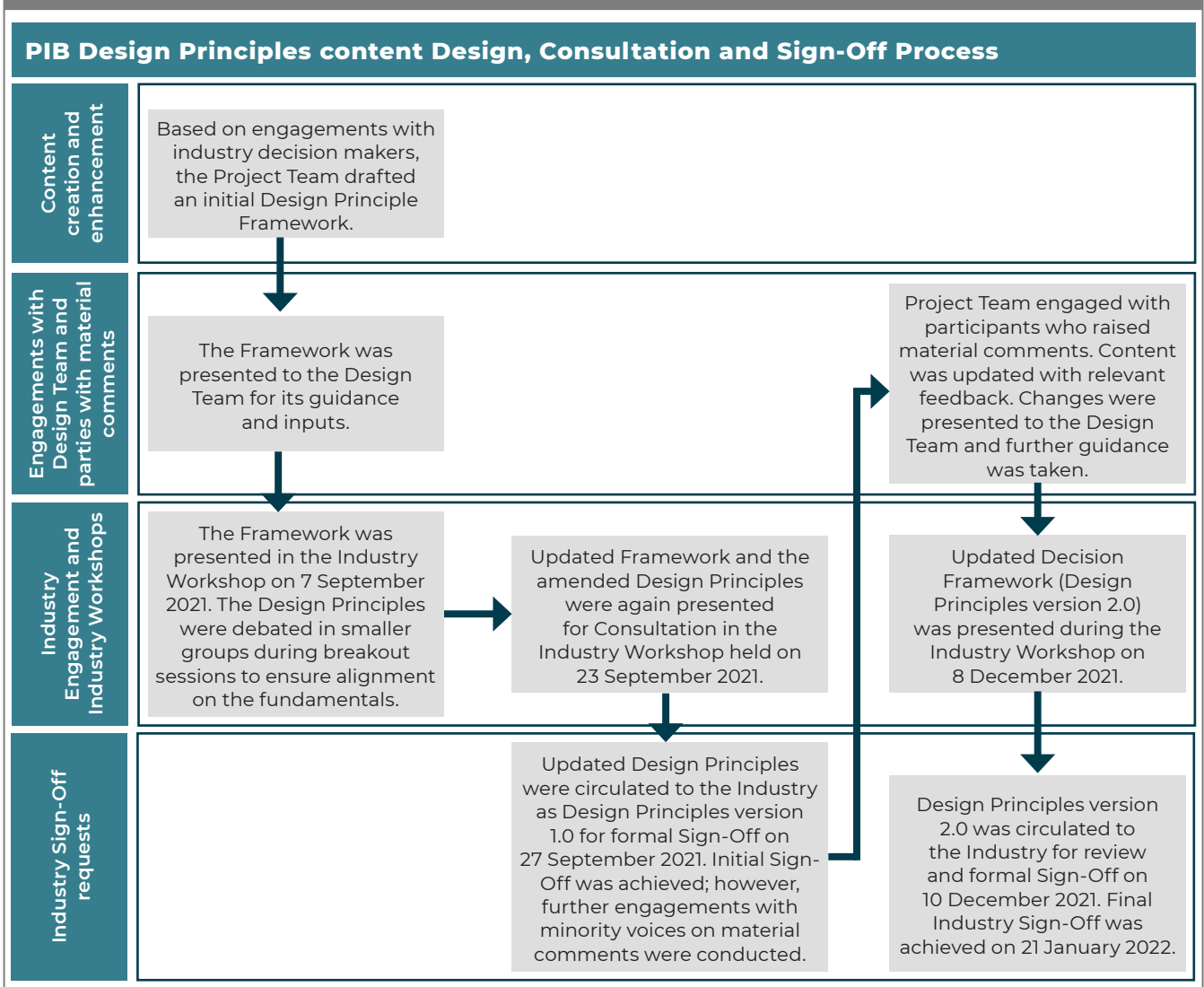
One of the first elements to receive attention in the PIB Design was the formulation and agreement of Design Principles. These Design Principles are the foundation of the PIB Design as they provided a clear Industry signed-off framework and direction within which the PIB would be designed. They are a set of principles to which all other design components had to adhere. By articulating the broad parameters and boundaries, they ensured alignment to the principles and objectives outlined by the SARB (see section 1.2, “Background”) and gave a principled basis to the rest of the programme. Furthermore, the Design Principles served as a reference point for resolving contrasting viewpoints. Forty-two Design Principles were formulated and agreed with industry participants to guide the PIB Design.

2.2 Consultation and Sign-Off Process

The Design Principles were introduced during the PIB Kick-Off Workshop on 7 September 2021. Figure 2.1 depicts the various Industry Workshops held, engagements with the Industry and Sign-Off dates.

These Design Principles are the foundation of the PIB Design as they provided a clear Industry signed-off framework and direction within which the PIB would be designed.

Figure 2.1: PIB Design Principles content Design, Consultation and Sign-Off Process



2.2.1 Provision to revisit Design Principles

It is important to note that, even though the Design Principles were signed off by the Industry, the option to revisit these later in the PIB Design Process remained open, should there have been a compelling reason to do so. This option was never required and, in the view of the Project Team, all the Sign-Offs achieved were in line with the Design Principles version 2.0.

2.3 Signed-off Design Principles

The signed-off Design Principles are grouped as follows:

1. Preamble
2. Balance of Rights and Obligations Design Principles
3. Mandate Design Principles
4. Membership Design Principles
5. Organisation Design Principles
6. Transition Design Principles
7. Governance Design Principles

2.3.1 Preamble

The Design Principles are preceded by an introduction which provides the overarching context for the relevance of the PIB, the need for the PIB Design Process and the fundamentals which needed to be considered in creating a well-functioning and fit-for-purpose PIB. This introduction was formally signed off as the preamble to the Design Principles and reads as follows:

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.

2.3.2 DP 1: Balance of Rights and Obligations Design Principles

In the initial consultations, it quickly became apparent that the heart of the design challenge lay in defining and balancing the rights and obligations of the various diverse parties. A separate category was therefore created to deal only with this topic, irrespective of whether the balance of rights related to elements from other categories (e.g. Membership or Governance).

The principles are as follows:

- 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.*

2.3.3 DP 2: Mandate Design Principles

The mandate category took the longest to reach agreement given the tension between the Member Mandate and the need to support national policy objectives. This was resolved in the Mandate & Recognition Design Topic (section 4, “Mandate & Recognition”), which articulates in more detail the need for the co-existence of the Member Mandate and Regulatory Recognition, as well as the nature of the Regulatory Recognition required to support the national policy imperative. The below principles were signed off subject to reaching the clarity which was achieved in the Mandate and Recognition topic:

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 *The 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 must 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.*

2.3.4 DP 3: Membership Design Principles

The signed-off membership Design Principles are:

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).*

2.3.5 DP 4: Organisation Design Principles

The signed-off Design Principles supporting Organisational Design are:

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.*

2.3.6 DP 5: Transition Design Principles

From the start of the PIB Design Process, it was clear that the PIB would replace PASA and that the two entities would not co-exist. Given the change risk this could introduce to the NPS, consideration was given to the principles for managing the transition from PASA to the PIB:

DP 5.1 *Where there is doubt, functions are moved intact and then reviewed within the PIB. The PIB must have the 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 and processes as far as possible, but build processes for change and reform into the PIB.*

2.3.7 DP 6: Governance Design Principles

The starting point for the governance principles was simply that the PIB would subscribe to the best practice outlined in the King IV Code^{TM*}. While this position was retained and signed off, further explanation of how King IV^{TM*} would be applied to the PIB was provided to give a fuller set of governance principles. The signed-off Governance Design Principles are:

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 the best interest of the 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.

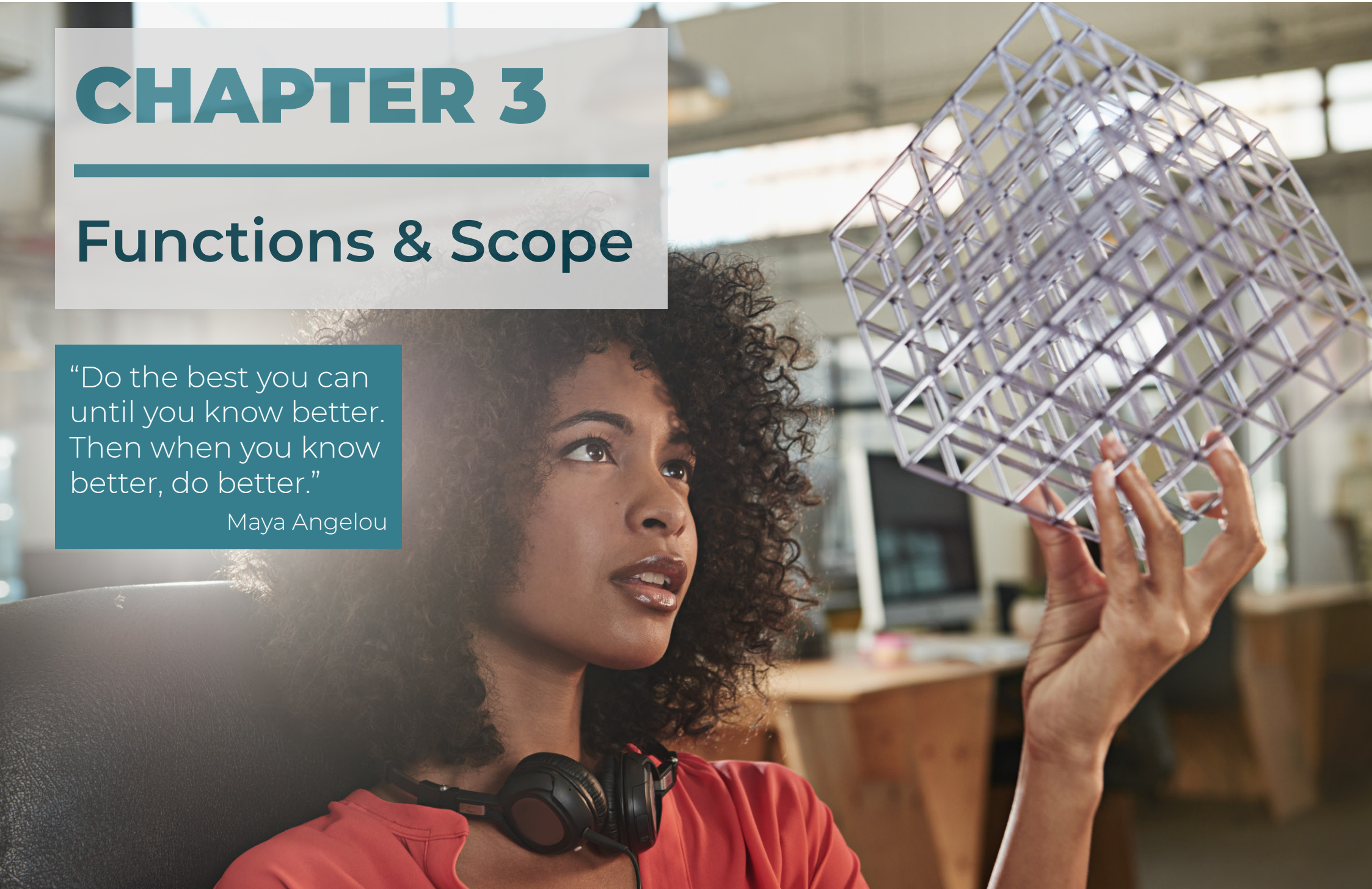
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CHAPTER 3

Functions & Scope

“Do the best you can until you know better. Then when you know better, do better.”

Maya Angelou



3. Functions & Scope

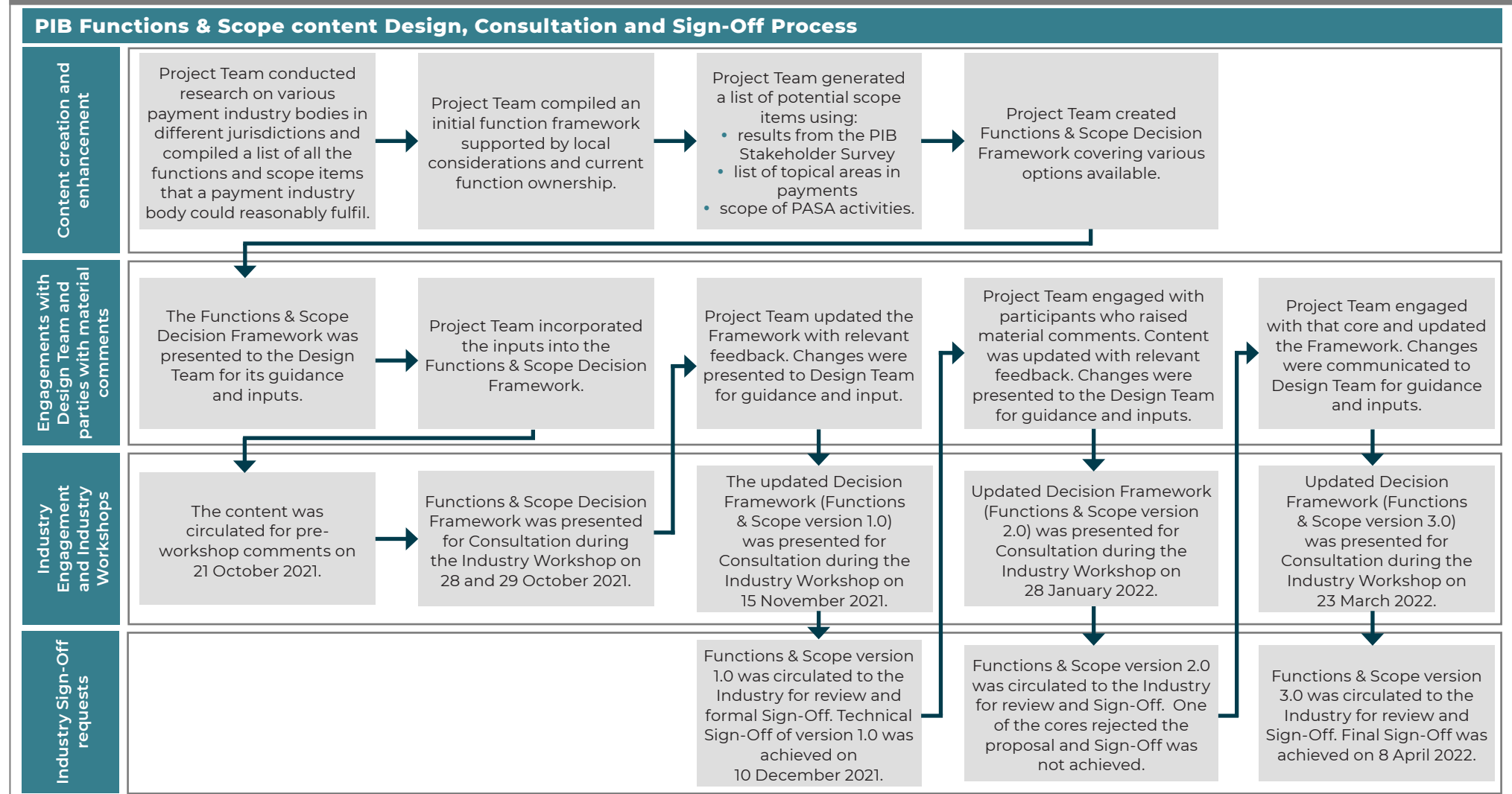
3.1 Consultation and Sign-Off Process

Functions & Scope was first introduced at the Industry Workshop on 28 October 2021. Although Sign-Off was

achieved from the first Sign-Off request, the Project Team wanted to ensure that material comments which required multiple consultations were addressed. This resulted in three Sign-Off iterations. Final Sign-Off was achieved on 8 April 2022, with several suggestions made relating to implementation,

which have been included in section 7.4, “Transition Recommendations” for completeness. The figure below depicts the various Industry Workshops held, engagements with parties who had material comments, and Sign-Off dates.

Figure 3.1: PIB Functions & Scope content Design, Consultation and Sign-Off Process



3.1.1 Topics that required further discussion: Creating a distinction between interoperability, Operator and Scheme rules

As the Project Team and Industry Forum's understanding of the proposed regulatory changes advanced, it was confirmed that, in line with the 2018 Policy Paper (see section 1.2, "Background"), amendments to the NPS Act would place the responsibility for clearing rules with Operators. Nonetheless, the SARB-proposed interoperability objective for the PIB necessitated an overarching set of rules, enforcing interoperability among Operators, as well as common standards of conduct, approaches to incident resolution and the imposition of local rules. Ultimately a distinction was drawn between interoperability rules on one hand and Scheme and Operator rules on the other. The term "Clearing rules" was retired as being too open to misinterpretation. Section 3.5.2.1, "F 1.1 Rule Setting" articulates the difference between interoperability rules, managed by the PIB, which ensure that the interoperable middle-mile does not fragment, and Scheme and Operator rules managed largely by commercial entities. Although it was acknowledged that there could be a difference between Operator and Scheme rules (in cases where the Operator is different from the Scheme owner), from a PIB perspective it was simpler to combine the two into a single category of function outside the ambit of the PIB.

3.1.2 Other topics that required further discussion in Functions & Scope

Aside from rules, Functions & Scope design elements which garnered the most controversy and debate were:

1. Rule dispute resolution:

Discussions were held on whether the PIB should serve as a mediator if a Scheme owner or Operator was unable to resolve disputes relating to their rules. A strong view was expressed that the PIB had no

legal basis to advise on rules set by other entities. As all agreed with the principle that the "rule maker" should drive the interpretation of rules or update them (as may be required), the wording of this function was updated to "Dispute resolution relating to the interoperability rules", detailed under "F 1.1.4 Dispute resolution relating to the interoperability rules" in section 3.5.2.1 "F 1.1 Rule Setting". Subsequent engagements with the SARB, who proposed licensing the PIB to write rules which supersede Scheme and Operator rules (see section 4.4, "Two-Pillar model proposed by the SARB"), give the PIB, through the interoperability rules, the ability to override both Scheme and Operator rules.

2. Closed loop systems (incorporated into Query Management):

There was considerable debate as to whether the PIB should play a role with respect to closed loop payment systems, given its primary objective of creating and maintaining interoperability. It was initially recommended that as part of its scope, the PIB should, on request, provide guidelines, best practices and / or standards to the closed loop payment system providers interested in moving from closed to open loop, thus staying within the PIB's interoperability objective. It was later agreed that the intention of this recommendation could be sufficiently covered under "F 3.5.3 Query management" in section 3.5.4.5, "F 3.5 Industry Facilitation" and the phrase "Inform closed loop system Operators on how to open their systems" was added to function "F 3.5.3 Query management".

3. Concierge services (changed to Query management):

A typical challenge cited by potential new NPS entrants was in obtaining clarity on the regulations and processes for participating in the NPS, as well as, for those that need it, in finding sponsor banks. The Project Team coined the term "Concierge Services" which definition incorporated "introductions

between parties (finding sponsor banks), facilitating discussions and advisory services, assist parties in seeking new licenses, etc." The phrase "advisory services" created concerns in some quarters that the PIB may incur liability through providing advice, while others felt very strongly that advice was needed to assist new entrants into the system. To satisfy everyone, the title of the function was changed to "Query management" and the function has been more specifically defined as "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 would be given and introductions would be requested, assist with necessary introductions". The signed-off function has been detailed under "F 3.5.3 Query management" in section 3.5.4.5, "F 3.5 Industry Facilitation".

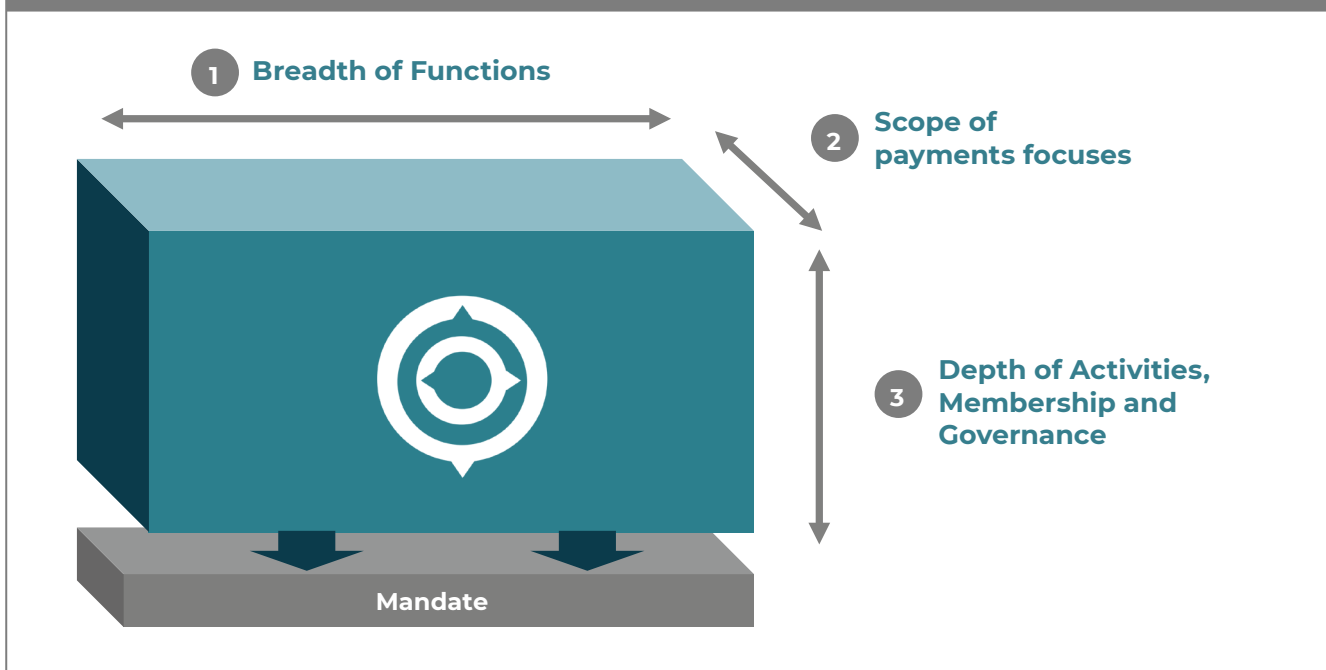
3.2 Three-Dimensional PIB Model

A three-dimensional model was used to explain the application of functions to scope items, and how Functions & Scope would translate into the activities of the PIB.

The cube on the next page (figure 3.2 "Three Dimensional PIB Model") shows that:

1. All functions could be applied to each scope item
2. The members, through their activities in the PIB, would give force to the functions performed by the PIB, across the scope of the PIB
3. The Mandate (Member Mandate and Regulatory recognition) of the PIB would then give the PIB the necessary powers to perform the agreed functions, within the parameters set by the governing body

Figure 3.2: Three Dimensional PIB Model



Step one: As-is analysis

As part of the as-is analysis, the Project Team undertook three key activities:

- The first activity was to unpack the dynamics of the South African payments landscape, including existing functions performed by PASA, types of local payments participants, the scope of various payments entities and the current and future regulatory architecture in South Africa
- Second, comprehensive research was conducted in assessing payments bodies across various jurisdictions, including Payments Canada, Pay.UK, Australian Payments Network (AusPayNet) and Payments NZ, to understand the various roles and functions performed. Other payment landscapes studied included those in the USA, India, Singapore and Netherlands
- The Stakeholder Survey (section 1.8.1, “Stakeholder Survey”) covered the industry’s position on the importance of a wide variety of Functions & Scope items. These results were incorporated into the Functions & Scope Decision Framework

3.3 Developing the Decision Framework

A robust approach was undertaken by the Project Team in developing the first iterations of the Functions & Scope Decision Framework. This approach included an analysis of payments industry bodies in multiple jurisdictions and has been depicted below:



Step two: Consolidated Functions & Scope items list

Based on the as-is analysis, a consolidated list of functions performed by global payments bodies was created. These functions were later categorised into key segments to group the major roles performed by a typical payments industry body (see figure 3.5 “Consolidated functions of Payments Industry Bodies”). The functions were then mapped to the current South African entities (including but not limited to the SARB, PSOs and Associations) responsible for these functions. Similarly, a list of potential scope items was compiled from the as-is analysis.

Figure 3.3: Steps illustrating the approach to develop the PIB Functions & Scope Decision Framework





Step three: Functions & Scope items as-is evaluation

A systematic approach was followed in evaluating each function identified in the as-is analysis. Functions were firstly analysed based on their importance and need. Existing or potential challenges within each function were then considered and a “Decision Point” was constructed. The Decision Point outlines the options for the role of the PIB in that particular function. A similar process was followed in evaluating the scope items and in generating options for the Decision Framework.



Step four: Designing and evaluating options for the Decision Framework

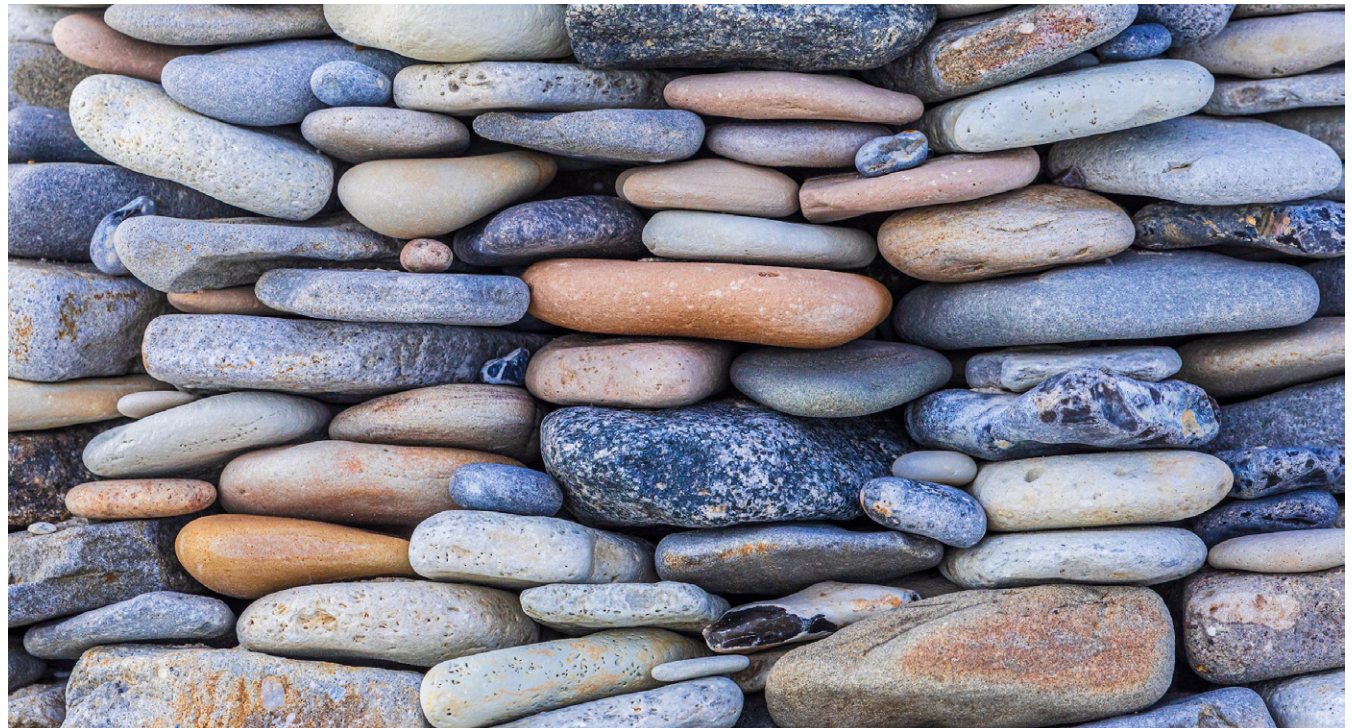
For each Decision Point as mentioned in step three, the preference was to articulate a minimum of two viable options, although in certain instances only one viable option was possible. The following evaluation criteria were used to guide the definition of viable options for each Decision Point:

Existing or potential challenges within each function were then considered and a “Decision Point” was constructed.

Figure 3.4: Function / scope item considerations

As-is entity performing function / scope item	Consideration
Performed by PASA only	Consideration of whether the function / scope item was still needed and whether the PIB should continue with that function / scope item, expand it, or move it entirely to another entity.
Performed by another entity	Consideration that unless there was a very strong motivation for change, these items should not be incorporated into the PIB and should remain with the other entity.
Not performed by any entity	Consideration whether the PIB or another entity was required to perform the function / include the scope item.
Performed by multiple entities	Consideration whether it was necessary for the PIB to also perform that function or consider that scope item.

The recommendation and rationale were documented for each Decision Point.





Step five: Consultation and Sign-Off

The recommended options were discussed and refined with the Industry over multiple workshops and breakout sessions. The Project Team utilised these industry inputs to update the recommended options and strengthen the Design. Further changes were also made based on the Sign-Off input and individual consultations as articulated in figure 3.1 “PIB Functions & Scope content Design, Consultation and Sign-Off Process”.

3.4 Functions & Scope items excluded from the PIB Design

Based on the 2018 Policy Paper (section 1.2, “Background”), outlining proposed amendments to the NPS Act, as well as certain SARB policy setting positions (such as the setting of interchange), it was clear that some Functions & Scope items would not fall within the PIB remit. It was anticipated that the PIB may be consulted to give input into these areas. These functions included the following:

1. Licensing criteria

One of the foundational amendments proposed to the legislation was to enable both the SARB and, where consumer facing, the FSCA to license all entities operating payment systems, participating in payment systems or providing payment services (see section 1.2, “Background”). The regulators would define the licensing requirements and criteria for these entities.

2. Licensing of payment system participants

As per section 1.3.1.1, “Licensing” of this report, with the upcoming amendments to the NPS Act, the SARB would in future license all payment system participants.

3. Designating payment system participants

At the time of the PIB Design project, only banks and designated payment system participants had direct access to the NPS (to provide Clearing Services). The designation of non-bank clearing participants was done by the SARB. In the event that the concept of designated payment system participants was carried into the new regulatory regime, this function would continue to be performed by the regulator.

4. Defining legal tender

Given the recent rise in what many see as alternate forms of money, be they cryptocurrencies, stable coins or Central Bank Digital Currency, it was necessary to remind the Industry that the SARB defines legal tender in South Africa.

5. Settlement (SAMOS) rules

As per section 1.3.1.2, “Rules”, the agreement to move the settlement rules to the SARB was already in place before the start of the PIB Design Process.

6. Interchange Setting

The SARB has set interchange rates for ATMs and for cards since 2014, and for new payment streams such as DebiCheck, and intends to ultimately set interchange for all payment streams. At the time of writing, clearing system participants negotiated bilateral interchange rates for those streams where the SARB had not yet determined a rate.



3.5 Signed-off Functions & Scope

3.5.1 Consolidated Functions View

The functions framework below has some minor amendments from the original compiled per the process described in section 3.3, “Developing the Decision Framework”. This signed-off version incorporates all the original functions but has adopted domestic and PIB-specific terminology.

Functions performed by PIBs are typically a combination of the following five areas:

Figure 3.5: Consolidated functions of Payments Industry Bodies

F 1. Payment System Management	F 2. Payment System Operations	F 3. Industry Support	F 4. Project Management	F 5. Industry Representation
F 1.1 Rule Setting	F 2.1 System Operator	F 3.1 Capacity Building	F 4.1 Project Delivery	F 5.1 Industry Representation
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 the interoperability rules	F 2.1.1 Technology and infrastructure provider F 2.1.2 Product Management and Clearing Services F 2.1.3 Operations, performance, and health monitoring	F 3.1.1 Payments professional certifications F 3.1.2 Consumer and user education and awareness F 3.1.3 Conference and events management F 3.1.4 Training of payments professionals	F 4.1.1 Project design, management, and implementation F 4.1.2 Payment innovation platforms	F 5.1.1 Consultative services – Inputs to regulators / policy bodies F 5.1.2 Stakeholder and member collaboration management
F 1.2 Standard Setting	F 2.2 Operational Support	F 3.2 Strategy Development		
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 2.2.1 Crisis and incident management F 2.2.2 Business Continuity Management	F 3.2.1 Payment strategy development		
F 1.3 Risk Management		F 3.3 Thought Leadership		
F 1.3.1 Identification and monitoring of payment system risk F 1.3.2 Risk remediation / mitigation actions		F 3.3.1 Payments strategic research/ market analysis / best practices F 3.3.2 White paper contribution		
F 1.4 Compliance Management		F 3.4 Payment Statistics		
F 1.4.1 Monitor compliance F 1.4.2 Enforcement and sanction administration		F 3.4.1 Collate payment statistics F 3.4.2 Analyse and publish payment statistics		
F 1.5 Administrative Support		F 3.5 Industry Facilitation		
F 1.5.1 Member administration F 1.5.2 Secretarial functions F 1.5.3 Ensuring coordination and management in participant groups		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		

3.5.2 F1. Payments System Management

This function pertains to the activities undertaken by a typical payments industry body in organising, managing, and regulating the participation of its members in the payment systems. These functions consist of rule and standard setting, which are required to be uniform across the industry, as well as developing and monitoring the risk framework, monitoring compliance, and providing adequate administrative support.

3.5.2.1 F1.1 Rule Setting

As per section 3.1.1, "Topics that required further discussion: Creating a distinction between interoperability, Operator and Scheme rules", differentiating between interoperability rules set and managed by the PIB, and Scheme and Operator rules set and managed outside the PIB, was essential. The following distinction between interoperability and other rules was formally signed off as part of Functions & Scope Design:

Interoperability rules, defined by the PIB to ensure interoperability across the Operators, cover:

- Referencing common messaging standards
- Agreeing on mandatory and non-mandatory transaction types for the local market
- Common definitions of elements impacting interchange calculation in support of SARB work
- Ensuring common management of issues: fraud, system issues, user errors
- Ensuring adequate consumer protection
- Processes for changing rules or enhancing systems
- Local variations on international scheme rules
- The interoperability rules could be given force through PIB rules; and / or multilateral agreements; and / or sponsor bank agreements per the prevailing regulatory regime

Scheme and Operator rules to ensure the ability to clear and operate within a scheme cover:

- Technical specifications
- Operational flows and rules
- Message standards
- Security standards
- Commercial elements, including penalty charges and processing fees
- Product definitions and standards, including user experience
- Scheme and Operator rules are given force through individual agreements between Operators and participants
- It was acknowledged that Scheme and Operator rules may, at times, overlap with interoperability rules. If this were to happen, the interoperability rules would supersede the Scheme and Operator rules

The separation of interoperability from Scheme and Operator rules is an evolutionary process and may change over time.



F 1.1.1 Interoperability rules

F 1.1.1 Interoperability rules	
<i>Interoperability is the technical, process and legal compatibility that enables multiple parties to participate in a payment system. Interoperability rules refer to a set of rules to ensure interoperability across payment systems, such as common messaging standards, standardised set of transaction types, common rules for management of issues etc. They also involve the process of adapting the international scheme rules or enhancing systems to ensure local applicability.</i>	
Entities responsible for the function at time of PIB Design	<i>Interoperability rules were covered in the rules set by PASA.</i>
Issues faced at time of PIB Design	<i>Lack of transparency of rules beyond Clearing Participants; lack of consultation with all interested parties</i>
Decision Point	<i>Who would manage interoperability rules?</i>
Option signed off by the Industry	<i>It was agreed that the PIB would continue with the interoperability rules; however, it would refine the process to make it more transparent and consultative.</i>
Rationale for signed-off option	<i>The interoperability rules would 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 meant that interoperability rules either needed to be managed by the SARB or the PIB. It made sense for interoperability rules to be determined by clearing system participants, hence the preference was given 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 issue of the lack of transparency was the primary factor in recommending a more consultative process. The Design Principles enshrine the need for appropriate consultation and a robust decision-making process. A rule-setting body would need to have a transparent and consultative decision-making process. In this regard, the PIB would need to design a robust decision-making framework to effectively guide decisions that impact a large number of stakeholders.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>PIB would not be involved in the interoperability rules</i>

F 1.1.2 Settlement rules

F 1.1.2 Settlement rules	
<i>Settlement rules govern the activities to fulfil the financial obligations, such as those arising from clearing activities.</i>	
Entities responsible for the function at time of PIB Design	Settlement rules were set by PASA.
Issues faced at time of PIB Design	The SARB ran the settlement systems (SAMOS), yet the rules for SAMOS were set by PASA.
Decision Point	There was no decision point as it had already been decided that settlement rules would move to the SARB.
Option signed off by the Industry	All settlement rules would move to the SARB. However, certain SAMOS rule setting, for example high-value payment interoperability rules, may be outsourced to the PIB.
Rationale for signed off option	<p>It had already been decided that settlement rules would be moved to the SARB. Exactly what this meant in the structures still needed to be unpacked between all impacted parties.</p> <p>To support the decision, in most of the countries studied, it was observed that the central bank provides the settlement rules as well as performing the function.</p>
Alternate options considered by the Industry	None identified



F 1.1.3 Scheme rules

F 1.1.3 Scheme rules*	
<p><i>This function covers rules or framework pertaining to a specific payment product or scheme and includes a variety of elements with which the scheme members / participants need to comply, such as commercial arrangements, branding, product functionality and roadmaps, loyalty, and rewards etc.</i></p>	
<p>Entities responsible for the function at time of PIB Design</p>	<p><i>Scheme rule setting was performed by multiple entities depending on the scheme. PASA set scheme rules for EFT, RTC and Collections. BankservAfrica set scheme rules for the Rapid Payments Programme (RPP) scheme and Card scheme rules were set by the card Schemes (i.e., Mastercard, Visa, American Express (Amex) and Diners Club (Diners)).</i></p>
<p>Issues faced at time of PIB Design</p>	<p><i>Lack of consistent model in ownership of rules / product development between BankservAfrica and PASA.</i></p>
<p>Decision Point</p>	<p><i>Should more consistency be imposed in determining the entity responsible for setting Product / Scheme rules?</i></p>
<p>Option signed-off by the Industry</p>	<p><i>Scheme rules would be set by the Operator. The PIB would ensure interoperability and consistent conduct across Operators. It would also ensure the scheme does not add unacceptable risk and adheres to NPS objectives. In summary, all payment streams would move to the current PASA card model.</i></p>
<p>Rationale for signed-off option</p>	<p><i>There was nothing explicit in the Design Principles which determined the preferred option; however, with the imminent launch of the RPP, the South African market was seeking to do things differently and local experience suggested that the new model should be given a chance.</i></p> <p><i>Hence, to have a harmonised approach, it was agreed that all payment product Operators would transition to a scheme-like setup and define the relevant product rules. The transitions would need to be planned and undertaken in a gradual manner.</i></p> <p><i>In addition, the PIB would develop an appropriate framework to ensure that consistency is maintained across all Operators to promote interoperability. The PIB would also perform governance and assurance activities for the Schemes.</i></p>
<p>Alternate options considered by the Industry</p>	<p>Alternate Option 1: <i>Continue with the existing approach with Scheme rules set by the Operator or the PIB; interoperability across Operators, Scheme governance and assurance and consistent conduct across Operators managed by PIB</i></p>
<p>* As per section 3.1.2 "Other topics that required further discussion in Functions & Scope" point (1), the differentiation between Scheme and Operator rules has not been considered in F 1.1.3. Scheme rules are set by Schemes and Operator rules by Operators, with both falling outside the function of the PIB.</p>	

F 1.1.4 Dispute resolution relating to the interoperability rules**F 1.1.4 Dispute resolution relating to the interoperability rules**

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 the PIB. It includes dispute management, dispute resolution and mediation. In this context, mediation refers to the process of facilitating a discussion between the parties to reach a non-binding agreement.

Entities responsible for the function at time of PIB Design

The function was performed by PASA for PASA rules.

Issues faced at time of PIB Design

None identified

Decision Point

Who would be best placed to drive interpretation of interoperability rules or update rules as needed?

Option signed off by the Industry

Rule makers would drive interpretation of their rules or update them (as may be required). Rule makers would also assist with interpretation and specific guidance.

Rationale for signed-off option

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

Alternate options considered by the Industry**Alternate Option 1:**

- *Rule maker should drive interpretation of rules or update them (as may be required)*
- *Rule maker would assist with interpretation and specific guidance*
- *Additionally, for scheme rules, the PIB would serve as a mediator if the scheme owner were unable to resolve an issue*

3.5.2.2 F 1.2 Standard Setting

F 1.2.1 Technical standard setting – payment initiation layer

F 1.2.1 Technical standard setting – payment initiation layer	
<i>This function refers to the technical standards for the payment initiation layer to ensure interoperability, e.g., QR code standardisation, Payment API standardisation, biometric standards for payments, etc. Specifically excluded from this function are payment message formats.</i>	
Entities responsible for the function at time of PIB Design	<i>The function was performed by PASA and PSOs.</i>
Issues faced at time of PIB Design	<i>There was no specified mandate, PASA was only involved at the request of members (i.e. on a voluntary basis) or at the request of the SARB.</i>
Decision Point	<i>Should PIB have a mandate to look at the interoperability of payment initiation methods?</i>
Option signed off by the Industry	<i>A hybrid model driven by members and regulators: The PIB would be mandated to consult with the industry to define payment initiation standards. The SARB could also instruct the PIB on the implementation of standards. Once standards were defined, adoption could be mandated.</i>
Rationale for signed-off option	<i>Payment initiation standards should be mandated to provide interoperability and intended to prevent fragmentation of payment systems. If, for example, payment initiation mechanisms were not aligned with common technical standards, then the effect would be the same as a fragmented payment system, as the user would need to distinguish between different service providers for the same process. Depending on 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).</i>
Alternate options considered by the Industry	<p>Alternate Option 1: Voluntary basis – PIB would only be involved in creating standards on request of its members; standard adoption on voluntary basis (non-mandatory for the participants)</p> <p>Alternate Option 2: Membership driven – PIB would be mandated to consult with the members to define payment initiation standards, for which once defined, adoption would be mandated</p> <p>Alternate Option 3: Regulatory driven – PIB would follow the SARB's instructions on implementation of standards; standards set by PIB would be mandated on the Industry participants</p>

F 1.2.2 Message standard setting – clearing

F 1.2.2 Message standard setting – clearing

This refers to standards for the payment system clearing processes, e.g. clearing file exchange formats, message formats, security requirements, liquidity management, Business Continuity Plan (BCP), and redundancy.

Entities responsible for the function at time of PIB Design

The function was performed by PASA, the SARB and PSOs.

Issues faced at time of PIB Design

None identified

Decision Point

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

Option signed off by the Industry

The PSO should define the clearing standards, while the PIB should have standard authority (i.e., registration of standards with the PIB to ensure that South Africa aligns with global standards as far as possible and to ensure interoperability).

Rationale for signed-off option

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

The 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.

Alternate options considered by the Industry

Alternate Option 1: *PSOs should define the clearing standards and no involvement of the PIB*

* An erratum is noted to F.1.2.2 in that at the time, PASA was already acting as a standard authority through the use of MyStandards**.

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F 1.2.3 Standard setting – customer authentication

F 1.2.3 Standard setting – customer authentication	
<i>This function covers Authorisation and Authentication for the Payer (funding party) in any payment-related activity including in-store, e-commerce, 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 will therefore affect financial and non-financial transactions.</i>	
Entities responsible for the function at time of PIB Design	<i>The function was performed by card Schemes, issuers, merchants, PSOs, PASA and regulatory bodies.</i>
Issues faced at time of PIB Design	<i>Poor authentication rates on non-face-to-face DebiCheck mandates. Considerations which arose from emerging technologies such as Open Banking and Screen Scraping</i>
Decision Point	<i>What role should the PIB play in setting standards for customer authentication?</i>
Option signed off by the Industry	<i>PSOs and Issuers / Account Providers should set authorisation standards for their rails (e.g., 3D Secure). The regulatory bodies would define how customers / consumers should be protected and would regulate that element. Lastly, the PIB would define the application of these principles across the different payment rails / PSOs.</i>
Rationale for signed-off option	<i>It was agreed by the Industry 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, while 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 authorisation experience. The PIB should intervene in application of these standards across different rails / PSOs to create a customer experience that would be consistent and secure.</i>
Alternate options considered by the Industry	<p>Alternate Option 1: Point of Acceptance / PSO /PSP (Payment Services Provider) and Account Provider / Store of Value would set standards</p> <p>Alternate Option 2: PIB would set customer authentication standards</p>

3.5.2.3 F 1.3 Risk Management**F 1.3.1 Identification and monitoring of payment system risk****F 1.3.1 Identification and monitoring of payment system risk**

Risk management is the identification, evaluation, and prioritisation of risks to minimise, monitor, and control the interoperability or impact of any payment system risks. Examples include 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.

Entities responsible for the function at time of PIB Design	<i>The function was performed by various parties including PASA, SABRIC and PSOs.</i>
Issues faced at time of PIB Design	<i>There was a need for continuous enhancement of the Risk Management Framework.</i>
Decision Point	<i>Should the PIB continue as is in relation to the Risk Management Framework or would any updates be required?</i>
Option signed off by the Industry	<i>Use the PASA Risk Management Framework and enhance it to reflect the new scope of the PIB.</i>
Rationale for signed-off option	<i>The PIB would continue with the then-current framework which was being utilised for identification and monitoring of payment system risks. The risk framework might have to be extended to address the new scope of the PIB and to include new players and their associated risks.</i>
Alternate options considered by the Industry	<i>None identified</i>

F 1.3.2 Risk remediation / mitigation actions

F 1.3.2 Risk remediation / mitigation actions

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.

Entities responsible for the function at time of PIB Design	The function was performed by PSOs, banks, PASA and regulatory bodies.
Issues faced at time of PIB Design	None identified. The risk function continued to mature and improve.
Decision Point	Should the PIB continue to manage risk remediation as part of its risk function?
Option signed off by the Industry	Continue as-is. PIB forums would identify and categorise risk to the NPS and manage and track remediation. Continual improvement of the risk processes themselves would be in scope.
Rationale for signed-off option	It was critical that risks identified through risk monitoring were also managed and mitigated. To this end, the PIB would need to be able to manage that appropriate actions were taken to lessen risk to the NPS. Where necessary, risk and the need for remediation would be escalated to the SARB. The risk frameworks and processes should continually be assessed themselves, and mature and improve. They would also need to cover all areas which would be in scope for the PIB.
Alternate options considered by the Industry	None identified



3.5.2.4 F 1.4 Compliance Management

F 1.4.1 Monitor compliance

F 1.4.1 Monitor compliance	
<i>This function indicates the PIB's capability (or mandate) to monitor compliance at regular intervals for the rules it defines. This monitoring can be in the form of risk data monitoring, member attestations, member reviews and timely submission of performance reports among other mechanisms.</i>	
Entities responsible for the function at time of PIB Design	<i>The function was to some extent performed by PSOs.</i>
Issues faced at time of PIB Design	<i>A reactive approach was followed by PASA, based on complaints raised. There was a lack of compliance monitoring.</i>
Decision Point	<i>Should the PIB build capacity to monitor compliance to its rules? Should the PIB only monitor compliance of sponsor banks or of all members?</i>
Option signed off by the Industry	<i>PIB would build appropriate and proportionate capacity to develop and monitor compliance data and other mechanisms as needed. PSOs would be responsible for ensuring compliance for their respective Schemes.</i>
Rationale for signed-off option	<i>The Design Principles require the PIB rules to be enforceable, therefore, compliance monitoring would be required. The body which creates the rules should ideally monitor those rules as it does not make sense for a separate body to monitor rules created by the PIB. All PIB members, not just sponsor banks, should be monitored directly for adherence to rules. However, there should be a balance between the cost of the monitoring tools and the benefits of the risk reduction which would be achieved. The PIB would also need to build capabilities and processes to ensure sound monitoring functions would be performed on a regular basis.</i>
Alternate options considered by the Industry	<p>Alternate Option 1: <i>As-is (reactive approach, compliance by sponsor bank model)</i></p> <p>Alternate Option 2: <i>PIB mandated:</i></p> <ul style="list-style-type: none"> • <i>PIB would build capacity and conduct regular reviews / audits</i> • <i>PIB would continue to follow sponsorship model for compliance</i> • <i>PSO would be responsible for ensuring compliance for their respective schemes</i> <p>Alternate Option 3: <i>Another body would be mandated by the SARB / Regulator (or the Regulator themselves) to build capacity and conduct regular reviews / audits</i></p>

F 1.4.2 Enforcement and sanction administration

F 1.4.2 Enforcement and sanction administration	
<p><i>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, or administering sanctions among other compliance enforcement mechanisms.</i></p>	
<p>Entities responsible for the function at time of PIB Design</p>	<p>The function was performed by PSOs and PASA.</p>
<p>Issues faced at time of PIB Design</p>	<p>It was difficult for a member-based organisation to apply sanctions on its members. Also, such sanctions were often insufficient to change behaviour.</p>
<p>Decision Point</p>	<p>Who should investigate and enforce compliance / sanctions? Should the PIB be involved in compliance enforcement and, if so, to what extent?</p>
<p>Option signed off by the Industry</p>	<p>PIB would investigate and undertake enforcement actions (e.g., remediation, warnings with deadlines). Post which, the case would be referred to the SARB to ascertain and enforce sanctions (penalties, termination, revocation, suspension). This option would be subject to consultation with the SARB and confirmation of its legal ability to enforce.</p>
<p>Rationale for signed-off option</p>	<p>The Design Principles require the PIB to be a member organisation, which would create a rather uncomfortable dichotomy if it were also required to sanction its members. By the same token, the rules must be enforceable, transparent, and consistent. The proposal, therefore, was that the PIB should identify non-compliance, agree on a remediation route to compliance with its members and only escalate for sanction to the SARB should remediation fail.</p>
<p>Alternate options considered by the Industry</p>	<p>Alternate Option 1: PIB-driven and SARB-approved PIB would investigate and undertake enforcement actions (e.g., remediation, warnings with deadlines for compliance). Post these, PIB would recommend sanctions (penalties, termination, revocation, suspension) to the SARB and enforced by PIB post approval from the SARB</p> <p>Alternate Option 2: SARB only No involvement of the PIB (the SARB to conduct independent investigations, enforcement and sanctions)</p>

3.5.2.5 F 1.5 Administrative Support

F 1.5.1 Member administration

F 1.5.1 Member administration

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

Entities responsible for the function at time of PIB Design

The function was performed by PASA for PASA members.

Issues faced at time of PIB Design

Member administration processes were very manual. A member website redesign was in progress to increase automation.

Decision Point

There were no identified decision points as the PIB must administrate its own members.

Option signed off by the Industry

Continue as-is

Rationale for signed-off option

A member-based organisation would need to have the ability to onboard, invoice, and communicate with its members. The PIB would thus continue the current framework, which was being utilised for member administration, but would also need to focus on efficiencies, automation, and support for documentation (website enabled). As per the Design Principles, the PIB would need to be appropriately equipped to deliver on its mandate.

Alternate options considered by the Industry

None identified



F 1.5.2 Secretarial functions

F 1.5.2 Secretarial functions	
<i>This function refers to the activities for supporting management, including executives using a variety of project management, communication, or organisational skills. It includes activities such as note taking, organising meetings, distributing minutes and meeting documentation etc.</i>	
Entities responsible for the function at time of PIB Design	The function was performed by PASA.
Issues faced at time of PIB Design	Review of quality of work was ongoing and outputs were largely positive. Concerns about capacity if there were to be more forums
Decision Point	There was no decision point as it would be an internal capacity building area for the PIB.
Option signed off by the Industry	Continue as-is
Rationale for signed-off option	Much of the outputs of a PIB would progress in a collaborative environment (committees / workgroups) where discussions and decisions need to be recorded. Consistent secretarial functions performed at acceptable standards would be required for an organisation with the responsibility for industry rule making. The PIB would continue the current framework which was being utilised for secretarial functions.
Alternate options considered by the Industry	None identified

F 1.5.3 Ensuring coordination and management in participant groups

F 1.5.3 Ensuring coordination and management in participant groups	
<i>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.</i>	
Entities responsible for the function at time of PIB Design	The function was performed by PASA and members. There were members who chaired participant groups in PASA structures while PASA provided minute taking and meeting logistics. PASA often prepared work related to agenda items.
Issues faced at time of PIB Design	There was potential for process improvements.
Decision Point	There was no decision point as the PIB should provide this function for its own structures.
Option signed off by the Industry	Continue as-is
Rationale for signed-off option	Experience suggested that an expert chairing operational and strategic forums resulted in better outcomes. The PIB would continue the current framework which was being utilised for ensuring coordination and management in participant groups.
Alternate options considered by the Industry	None identified

3.5.3 F 2. Payment System Operations

This high-level function encompasses the physical processing of clearing transactions, as well as all the activities associated with clearing operations. In some jurisdictions, the payments industry body is also responsible for processing payments, although South Africa has always had a separation between the payments association and Operators.

3.5.3.1 F 2.1 System Operator

F 2.1.1 Technology and infrastructure provider

F 2.1.1 Technology and infrastructure provider	
<i>This function covers the provision of technology and infrastructure for running and operating the payment systems (Example – BankservAfrica, Visa, Mastercard).</i>	
Entities responsible for the function at time of PIB Design	<i>The function was performed by PSOs.</i>
Issues faced at time of PIB Design	<i>Whether PSOs should have the right authority to enforce security and connectivity standards?</i>
Decision Point	<i>Should the PIB play a role in managing risk associated with the operations of PSOs?</i>
Option signed off by the Industry	<i>The PIB should manage Operator risk introduced into the system and review Operator risk frameworks.</i>
Rationale for signed-off option	<i>PSOs should be able to define the security and connectivity requirements specific to their product / rails. The Operator risk frameworks should support the appropriate PIB forum(s) to debate risks and mitigation requirements.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>Continue as-is, i.e. no involvement of the PIB</i>

F 2.1.2 Product Management and Clearing Services

F 2.1.2 Product Management and Clearing Services

This function covers Clearing Services and the various attributes of Product Management including new product development, business justification, planning, verification, forecasting, pricing, product launch, and marketing etc. for setting up payment rails / systems.

Entities responsible for the function at time of PIB Design

The function was performed by PSOs.

Issues faced at time of PIB Design

None identified

Decision Point

Should the PIB ensure adequate risk management?

Option signed off by the Industry

The PIB would manage risk introduced into the NPS by Product Management and Clearing Services.

Rationale for signed-off option

Product Management and Clearing Services should be performed by the PSOs. However, product development and innovation are areas where multiple expert entity involvement would be 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.

Alternate options considered by the Industry

Alternate Option 1: *Continue as-is, i.e. no involvement of the PIB*

F 2.1.3 Operations, performance, and health monitoring

F 2.1.3 Operations, performance, and health monitoring	
<p><i>This function primarily includes operations (e.g., window extensions), 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.</i></p>	
Entities responsible for the function at time of PIB Design	<i>The function was performed by PSOs.</i>
Issues faced at time of PIB Design	<i>Members did not always report incidents in a timely fashion.</i>
Decision Point	<i>Should the PIB be involved in monitoring and managing the performance of payment systems?</i>
Option signed off by the Industry	<i>For members / participants, PSOs should be responsible for setting Key Result Areas (KRAs) / Key Performance Indicators (KPIs) and monitoring the performance of members / participants. Initial remediation of participants should be attempted by PSOs and non-remediated / continued poor performance would be reported to the PIB. The PIB would be mandated to intervene / take compliance actions on the PIB members. However, the primary reporting line of participants would be PSO. For PSOs, the PIB would be responsible for setting KRAs / KPIs and monitoring performance of PSOs.</i>
Rationale for signed-off option	<p><i>PSOs should monitor and remediate the performance of their members / customers / participants. Only in instances where the PSO cannot resolve the matter, should it be escalated to the PIB.</i></p> <p><i>The PIB, however, can hold the PSO responsible for their overall performance. The PIB would take a view of the overall health of the various payment systems.</i></p>
Alternate options considered by the Industry	Alternate Option 1: <i>The PIB would be responsible for setting KRA / KPI and monitoring performance of PSOs and members; the PIB would be mandated for remediation of poor performance across impacted entities.</i>

3.5.3.2 F 2.2 Operational Support**F 2.2.1 Crisis and incident management**

F 2.2.1 Crisis and incident management	
<i>Crisis management is the process by which Payment Participants deal with a disruptive and unexpected event that threatens to harm the payment systems or impacts users of the system, for example system failures.</i>	
<i>An incident is an event that could lead to loss of, or disruption to, payment system operations, services or functions, for example cyber-attacks or duplication of a payments file.</i>	
Entities responsible for the function at time of PIB Design	<i>The function was performed by PSOs, PASA and regulatory bodies.</i>
Issues faced at time of PIB Design	<i>None identified</i>
Decision Point	<i>Should crisis and incident management functions sit with the PIB or with the PSO?</i>
Option signed off by the Industry	<i>Crisis and incident management framework (or design) by PIB and implementation by PSOs. PSOs should provide relevant data to the PIB for a second line of assurance.</i>
Rationale for signed-off option	<i>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 would 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 would not get involved in the resolution. The interoperable payments crisis and incident management framework must distinguish between incidents and crises.</i> <i>Incident Management should be performed by PSOs and other entities in the ecosystem in line with PIB frameworks and should report back on the root cause of material incidents. There should also be efforts to capacitate incident communication (not root cause reporting) to be more real-time.</i>
Alternate options considered by the Industry	Alternate Option 1: Framework and implementation by PSO Alternate Option 2: Framework and implementation by the PIB

F 2.2.2 Business Continuity Management**F 2.2.2 Business Continuity Management**

This function refers to the capability of an organisation to continue the delivery of products or services at pre-defined acceptable levels following a disruptive incident, for example, a backup plan in case the data centres become non-operational due to a natural occurrence, or otherwise.

Entities responsible for the function at time of PIB Design

The function was performed by PSOs.

Issues faced at time of PIB Design

None identified

Decision Point

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

Option signed off by the Industry

The SARB would continue to oversee testing of BCP for settlement. PSOs should perform relevant BCP tests for their respective rails. If requested by the SARB, the PIB can oversee BCP testing.

Rationale for signed-off option

Since the function was performed by another party and there was no strong motivation for change, it was not considered as part of the PIB. The SARB was overseeing the testing of BCP and there was no strong reason for further PIB involvement in this.

Alternate options considered by the Industry

Alternate Option 1: *The PIB would oversee testing of BCP*



3.5.4 F 3. Industry Support

This high-level function covers the various areas of support typically provided by payments industry bodies, including capacity building through training and conferences, developing a national payments strategy and possible implementation pathways, providing thought leadership, and collating and analysing payments statistics that are indicative of the overall health of the payments system.

3.5.4.1 F 3.1 Capacity Building

F 3.1.1 Payments professional certifications

F 3.1.1 Payments professional certifications	
<i>This function includes conducting various training programmes for growing relevant payment expertise for individuals, for example the PASA Certificate in Foundational Payments, the PASA Advanced Certificate in Electronic Payments and the PASA Advanced Certificate in High Value Payments.</i>	
Entities responsible for the function at time of PIB Design	The function was performed by PASA.
Issues faced at time of PIB Design	The existing certifications were not National Qualifications Framework (NQF) recognised. NQF accreditation can only be obtained through a professional body that is registered at SAQA. At that point, no such body existed for payments-related training.
Decision Point	Should the function sit with the PIB?
Option signed off by the Industry	The PIB should continue with the provision of training courses / programmes and should pursue NQF accreditation through a professional body yet to be established, which operates separately from (outside of) the PIB.
Rationale for signed-off option	<p>Payments training content is very specialised and constantly evolving. It made sense therefore to retain it within the payments centre of expertise. There were not many payments training providers and, as such, PASA had already established a recognised profile for payments training.</p> <p>NQF accreditation is an aspect that must be pursued through a separate Professional Body. The PIB could play a role in establishing such a body but cannot be the Professional Body and continue to provide training and seminars. Should the PIB become a professional body itself, it could no longer provide training and could also create potential confusion among members (member of the professional body vs. membership of the PIB).</p>
Alternate options considered by the Industry	<p>Alternate Option 1: The PIB would become a Professional Body with professional membership and would only accredit training through other parties – no provision of industry programme and seminars</p> <p>Alternate Option 2: The PIB would play no role in capacity creation – no training and no seminars</p>

F 3.1.2 Consumer and user education and awareness

F 3.1.2 Consumer and user education and awareness	
<i>This function includes conducting capacity building activities to ensure end-user and customer awareness and education programmes.</i>	
Entities responsible for the function at time of PIB Design	The function was performed by multiple entities including FSCA, banks for their clients, as well as PASA for new payment systems.
Issues faced at time of PIB Design	PASA consumer education was ineffective and lacked funding and reach.
Decision Point	Should the PIB actively educate the public about payment systems to increase accessibility?
Option signed off by the Industry	Training materials should be developed by the Product Owner as per F 2.1.2. The PIB should request scheme / Product Owner to develop material where required. The PIB can assist with the dissemination of the material.
Rationale for signed-off option	The PIB would unlikely be a well-recognised entity for the 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 would be expensive to launch education campaigns on a grand scale and directly with consumers.
Alternate options considered by the Industry	Alternate Option 1: Attempt to educate consumers directly on specific payment issues Alternate Option 2: No involvement in consumer education – leave it for users, banks, and regulatory bodies

F 3.1.3 Conference and events management

F 3.1.3 Conference and events management	
<i>This function encompasses providing a common platform for payment professionals in the form of gatherings, conferences and / or events at regular intervals.</i>	
Entities responsible for the function at time of PIB Design	The function was performed by private entities, PASA and regulatory bodies.
Issues faced time of PIB Design	Various service providers provided conferences of varying quality. Fragmentation in promotion of the “payments dialogue”.
Decision Point	None
Option signed off by the Industry	Continue as-is
Rationale for signed-off option	PASA International Payments Conference (PIPC) and the like had created credible platforms for payments professionals, irrespective of whether they worked for PASA members or others and added meaningful value to the industry. These platforms 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.
Alternate options considered by the Industry	None identified

F 3.1.4 Training of payments professionals

F 3.1.4 Training of payments professionals	
<i>This function encompasses training of payments professionals or internships, payments leadership development, and mentorships to address the shortage of payment skills in the industry.</i>	
Entities responsible for the function at time of PIB Design	<i>There was no specific party providing payments internships and leadership development</i>
Issues faced at time of PIB Design	<i>There was a serious shortage of payment skills in the industry. Certification courses alone were insufficient to train and develop skills.</i>
Decision Point	<i>Should the PIB invest further in training payments resources for the industry?</i>
Option signed off by the Industry	<i>PIB should build capability to improve skilled payment capacity for the industry, e.g. training programmes, education institution collaboration, creating a shared knowledge repository, and facilitating and supporting graduate intakes, according to member needs.</i>
Rationale for signed-off option	<i>The Design Principles state that the PIB should be good for the payments industry. A shortage of skills and many skills approaching retirement posed a risk to the broader sector, as well as to innovation. Furthermore, the PIB support for internships could be considered if a Professional Body supported formal internship programmes.</i>
Alternate options considered by the Industry	<p>Alternate Option 1: Internships and training provided as part of a Professional Body's qualification requirements (NQF accreditation)</p> <p>Alternate Option 2: No involvement of the PIB</p>

3.5.4.2 F 3.2 Strategy Development

F 3.2.1 Payments strategy development

F 3.2.1 Payments strategy development

This function covers defining payments strategy or roadmaps in alignment with NPS policy objectives and ensures coordinated implementation.

Entities responsible for the function at time of PIB Design

The function was performed by PASA, BASA (Banking Association South Africa) and regulatory authorities.

Issues faced at time of PIB Design

Non-banks had limited input into the payments national strategy. A top-down strategy approach was followed in BASA and a bottom-up strategy was followed in PASA and alignment was required between the two approaches.

Decision Point

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

Option signed off by the Industry

The PIB should leverage multiple regulatory vision documents and be mandated to define (in consultation with industry) a multi-year national payments strategy that draws up a development roadmap with initiatives.

Rationale for signed-off option

As per the Design Principles, the PIB must align to policy objectives (e.g., Vision 2025) and should play a role in the strategy implementation. At the same time, other parties would have their strategies and views that need to align into a coordinated implementation plan to protect interoperability. To that end, the PIB would need to 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.

Alternate options considered by the Industry

Alternate Option 1: *The PIB would not have a strategy function for the broader NPS and industry*



3.5.4.3 F 3.3 Thought Leadership

F 3.3.1 Payments strategic research / market analysis / best practices

F 3.3.1 Payments strategic research / market analysis / best practises

This function includes payments-related research expertise, including market data analysis, benchmarking, strategy recommendations and best practices for the industry.

Entities responsible for the function at time of PIB Design	The function was performed by PSOs, PASA and regulatory authorities among others.
Issues faced at time of PIB Design	Some research would be required to support strategy. PASA lacked economist expertise in researching payments.
Decision Point	Should the PIB invest in research capabilities?
Option signed off by the Industry	The PIB should build capability in strategic research and thought leadership and publish the same at regular intervals.
Rationale for signed-off option	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. It should also monitor and research global innovations in payments and leverage the same to benefit the South African landscape.
Alternate options considered by the Industry	Alternate Option 1: Would not be incorporated as a PIB function; Industry should do its own research and the PIB should be involved on voluntary basis

F 3.3.2 White paper contributions

F 3.3.2 White paper contributions

This function requires a payments body to timeously publish payments-related research to promote or highlight the features of payments-related trends, products, or services.

Entities responsible for the function at time of PIB Design	The function was performed by various entities.
Issues faced at time of PIB Design	There was limited scope of activities that were being performed by the entities.
Decision Point	Should the PIB invest in white paper contributions?
Option signed off by the Industry	The PIB should have the capability to drive white paper consultations and publish relevant white papers on pertinent payment topics.
Rationale for signed-off option	The Design Principles mention the functions for the good of the industry, which implies that the PIB would need to be up to date on the latest research and thought leadership. The PIB members should also get value from their membership fees by having such knowledge available and accessible to all members.
Alternate options considered by the Industry	Alternate Option 1: Should not be incorporated as a PIB function; Industry should do its own research and the PIB should be involved on voluntary basis

3.5.4.4 F 3.4 Payment Statistics**F 3.4.1 Collate payment statistics**

F 3.4.1 Collate payment statistics	
<i>This function requires a payments body to timeously collect payments system related statistics from the payment system Operators and member organisations.</i>	
Entities responsible for the function at present	<i>The function was performed by regulatory bodies.</i>
Issues faced at time of PIB Design	<i>Statistics were only collated on an annual basis, three months after the year-end. These statistics were not published broadly and this lack of access to statistics hampered PASA strategy, tactics, and reporting.</i>
Decision Point	<i>Should the PIB be mandated to collate payment statistics?</i>
Option signed off by the Industry	<i>While the SARB would continue to collate payment statistics, it was agreed that the PIB would be mandated to collate timely reports and federated statistics from Operators / members.</i>
Rationale for signed-off option	<i>To 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 the Competition Act or POPIA.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>Continue as-is</i>

F 3.4.2 Analyse and publish payment statistics

F 3.4.2 Analyse and publish payment statistics	
<i>This function covers the necessary actions to timeously analyse and publish payments system-related statistics, demonstrating the health of the industry.</i>	
Entities responsible for the function at time of PIB Design	<i>The function was not performed by any entity.</i>
Issues faced at time of PIB Design	<i>Lack of credible industry statistics hampered performance management and strategy management.</i>
Decision Point	<i>Should the PIB be mandated to analyse and publish payment statistics?</i>
Option signed off by the Industry	<i>The PIB would be mandated to timeously publish reports and statistics for the broader payments community.</i>
Rationale for signed-off option	<i>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 behaviour of individual payment streams could add tremendous value to members, provided it would be performed in a compliant manner.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>Continue as-is</i>

3.5.4.5 F 3.5 Industry Facilitation**F 3.5.1 and F 3.5.2 Support and facilitation for policy clarification and implementation*****F 3.5.1 and F 3.5.2 Support and facilitation for policy clarification and implementation***

This function relates to the provision of a common inclusive platform for all market participants to seek guidance on policy clarification and to provide necessary support for policy adoption and implementation.

<i>Entities responsible for the function at time of PIB Design</i>	<i>PASA</i>
<i>Issues faced time of PIB Design</i>	<i>None identified</i>
<i>Decision Point</i>	<i>None</i>
<i>Option signed off by the Industry</i>	<i>Continue as-is</i>
<i>Rationale for signed-off option</i>	<p><i>The PIB would need to ensure that it supports policy clarification as it would regularly interact with the regulator and provide inputs on policy making through consultations.</i></p> <p><i>For effective working of the payment systems, the members and / or participants must adhere to regulatory policies and obtain the necessary support from the PIB during policy implementation.</i></p> <p><i>The PIB could help its member participants in policy adoption and present grievances faced by them to policy-making bodies.</i></p>
<i>Alternate options considered by the Industry</i>	<i>None identified</i>



F 3.5.3 Query management

F 3.5.3 Query management	
<i>This function encompasses assisting new and existing entities with queries, requests for information and introduction to sponsor banks.</i>	
Entities responsible for the function at time of PIB Design	PASA
Issues faced at time of PIB Design	<i>Participants faced challenges in finding sponsor banks.</i>
Decision Point	<i>Should the PIB facilitate introductions between parties, for example between TPPPs and sponsor banks?</i>
Option signed off by the Industry	<i>The PIB, as PASA, should continue to 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 would be given and introductions would be requested, assist with necessary introductions. Inform closed loop system operators on how to open their systems. Additionally, PIB would share standards for interoperability.</i>
Rationale for signed-off option	<i>As the payments industry body for South Africa, the PIB could 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.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>The PIB should continue to 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 would be given and introductions would be requested, assist with necessary introductions. Inform closed loop system operators of how to open their systems.</i>

3.5.5 F 4. Project Management

This high-level function pertains to the role performed by some payments industry bodies in managing various interoperability-related industry projects, which could include modernisation, innovation and compliance projects.

3.5.5.1 F 4.1 Project Delivery

F 4.1.1 Project design, management, and implementation

F 4.1.1 Project design, management, and implementation	
<i>This function includes end-to-end responsibility for project delivery including project design, management, and implementation through coordinating participant build, test, and go-live activities, for example the DebiCheck and QR projects.</i>	
Entities responsible for the function at time of PIB Design	<i>The function was performed by PASA.</i>
Issues faced at time of PIB Design	<i>None identified</i>
Decision Point	<i>To what extent should the involvement of the PIB be in project management?</i>
Option signed off by the Industry	<i>A hybrid approach would allow for the PIB's 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).</i>
Rationale for signed-off option	<i>To maintain the interoperability of payment systems, changes thereto would need to be performed, in a coordinated manner, across all participants. The existence of multiple Operators in some payment streams would also necessitate coordination across PSOs. As this is core to interoperability, it should sit within the PIB.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>As-is, i.e. end-to-end project management and coordination by the PIB</i> Alternate Option 2: <i>No involvement of the PIB in project delivery</i>

F 4.1.2 Payments innovation platforms

F 4.1.2 Payments innovation platforms

This function includes initiatives to bolster payments innovations such as introducing and operating innovation platforms such as sandboxes, API developer portals, hackathons etc.

Entities responsible for the function at time of PIB Design

The function was performed by the Intergovernmental Fintech Working Group (IFWG).

Issues faced at time of PIB Design

There were limited means of innovation, as only regulatory sandboxes existed.

Decision Point

Should the PIB take initiative for promoting innovations (payments sandbox, e.g. New Zealand, hackathon, Canada)?

Option signed off by the Industry

The PIB should provide the platform for mobilising market participants to discuss innovations.

Rationale for signed-off option

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

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

Alternate options considered by the Industry

Alternate Option 1: *Continue as-is, i.e. no involvement of the PIB*

Alternate Option 2: *Active investments by the PIB in innovation initiatives specific to payments only*

3.5.6 F 5. Industry Representation

This high-level function pertains to a payments industry body providing a common inclusive platform for representing the voice of the payments industry. Additionally, payments industry bodies typically consult regulators and policy makers, and give expert inputs into payments regulation and policy matters.

3.5.6.1 F 5.1 Industry Representation

F 5.1.1 Consultative services – Inputs to regulators / policy bodies

F 5.1.1 Consultative services – Inputs to regulators / policy bodies	
<i>This function encompasses providing payments expertise including consultative services, to provide inputs to regulators and policy-making institutions, including policy paper contributions and advocacy for the industry.</i>	
Entities responsible for the function at time of PIB Design	<i>The function was performed by various parties including PASA, BASA and PSSF.</i>
Issues faced at time of PIB Design	<i>PASA provided expert inputs to regulators; however, did not lobby / advocate for all members.</i>
Decision Point	<i>Should the PIB only provide expert inputs for consideration or lobby for member interests? In addition, should the view be only that of the PIB, or should it consolidate Industry views?</i>
Option signed off by the Industry	<i>The PIB should act as a body providing a consolidated view versus a consensus view. It would be important for the PIB to provide a balanced Industry view (covering all payment system participants and affected parties, e.g. users).</i>
Rationale for signed-off option	<i>The PIB should provide technical and expert inputs whenever requested to do so. 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 in principle and practice, lobbying should remain with the trade associations. This proposition was in line with the Design Principle that the PIB should be responsible for the objectives of the NPS ahead of the members.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>PIB as expert input body – PIB would provide its expert inputs when consulted. Members could voice their views directly or via their associations (e.g. BASA).</i> Alternate Option 2: <i>PIB as consensus building body – PIB would provide its expert inputs when consulted. PIB would be mandated to perform the “Voice of Industry” function and to build majority consensus between Industry stakeholders that would be in interest of NPS over member interest. (PIB should not be involved in member lobbying activities.)</i> Alternate Option 3: <i>PIB as lobbying body – PIB would be mandated to perform the “Voice of Industry” function and to build majority consensus between Industry stakeholders and lobby this majority view (member or NPS interest) to the regulator.</i>

F 5.1.2 Stakeholder and member collaboration management

F 5.1.2 Stakeholder and member collaboration management	
<i>This function encompasses providing a common inclusive platform for all market participants to represent their interests and undertakes the necessary process of maintaining good relationships with the stakeholders impacted by the decisions made by the body.</i>	
Entities responsible for the function at time of PIB Design	Many entities, including PASA, BASA and PSSF.
Issues faced at time of PIB Design	None as each entity manages its own members and stakeholders.
Decision Point	To what extent should there be engagement and collaboration with Industry stakeholders?
Option signed off by the Industry	The PIB should actively promote collaborations among Industry stakeholders.
Rationale for signed-off option	Given the payments ecosystem and the extent to which the PIB would underpin many platforms, the broader the collaboration the better. Member collaboration would be an imperative for the efficient functioning of the payment systems. The PIB must take a holistic approach while taking inputs to design any framework affecting its members.
Alternate options considered by the Industry	None identified

3.5.7 Signed-off Scope Items

3.5.7.1 Context

The PIB should have a broad view of the current and emerging Payments landscape 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 (section 1.3.1.2 “Rules”) 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 Participant Groups 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 below.

The PIB scope items 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.

3.5.7.2 Mapping existing PASA payment streams to the PIB scope

Payments streams moving to the SARB

Settlement rules: As per section 1.3.1.2, “Rules”, the settlement rules will move to the SARB and therefore fall outside the scope of the PIB.

Payments streams agreed to remain with the PIB.

The following payment streams fall within the scope of the PIB:

1. Low-Value electronic funds transfer (EFT) credit and debit
2. ATMs
3. Card, including Debit, Credit, Amex, Diners and Fleet
4. Authenticated Collections (AC) – DebiCheck
5. Real-time Clearing (RTC)
6. Rapid Payments

The following payment streams fall within the scope of the PIB to the extent that they are not impacted by the move of the settlement rules to the SARB:

- Cash Settlement
- Derivative Margins
- Equities
- Money Market
- Bonds
- Immediate Settlement

Determining potential PIB scope topics

In addition to the payment streams listed above, a total of 13 potential scope items were identified as part of the process outlined in section 3.3, “Developing the Decision Framework”. *While additional areas or new upcoming payments topics could also be considered and incorporated in the scope of the PIB, it is important to note that new scope items do not necessarily translate into additional PIB headcount.*

“S 4 Closed loops systems”, although considered as one of the PIB scope items, was later removed from the list and incorporated into “F 3.5.3 Query Management” in section 3.5.4.5, “F 3.5 Industry Facilitation”. Please see section 3.1.2, “Other topics that required further discussion in Functions & Scope” for further detail.



3.5.7.3 Scope Items

The following sections outline the scope items approved in the Sign-Off Process articulated in section 3.1, “Consultation and Sign-Off Process”.

S 1 API standards

S 1 API standards	
<i>Common standards for banks for payment-related APIs.</i>	
Entities considering this scope item at time of PIB Design	None
Issues faced at time of PIB Design	<i>There were no standardised API standards. Each bank had its own standards, resulting in duplication and inefficiencies to connect to various banks.</i>
Decision Point	<i>Should API standard adoption be mandatory or voluntary? Should API standard development be market or regulatory driven?</i>
Option agreed by the Industry	<i>Market-driven API standards defined by the PIB. Voluntary adoption of API standards.</i>
Rationale for agreed option	<i>It seemed likely that the industry would voluntarily adopt standards before the introduction of regulation. These standards should then form the basis of the regulation when it is introduced. The PIB would require a regulatory mandate to ensure mandatory adoption by participants.</i>
Alternate options considered by the Industry	<p>Alternate Option 1: Regulatory driven with standards defined by regulator and mandatory adoption by participants</p> <p>Alternate Option 2: Market driven with standards defined by PIB and mandatory adoption by participants (regulatory mandate to be provided by the SARB)</p> <p>Alternate Option 3: No involvement of the PIB</p>

S 2 Physical cash management

S 2 Physical cash management	
<i>Optimising interbank cash processing across Tier One, Two and Three cash.</i>	
Entities considering this scope item at time of PIB Design	<i>BASA was focused on Tier One, BankservAfrica on Tier Two and no central entity focused on Tier Three cash optimisation.</i>
Issues faced at time of PIB Design	<i>Cash aggregation and cost allocation.</i>
Decision Point	<i>To what extent should the involvement of the PIB be in physical cash management?</i>
Option agreed by the Industry	<i>The PIB should not be involved in the physical logistics of cash, but should be responsible for transactional interoperability (e.g. remittances in retail stores, cash settlement, cash in and cash out transactions) in line with regulatory guidelines. The PIB would include cash as a key component in payments strategy development, analysis and research, risk and project management.</i>
Rationale for agreed option	<i>Continued involvement in cash settlement (the interoperable electronic component) would be needed but the Design Principles specify no commercial or pricing involvement from the PIB. The PIB would need to be involved in transactional interoperability for the usage of cash. The SARB interchange project and BASA had recommended the development of white label ATMs. Presumably the PIB would need to play an interoperability role within this space.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>Continue as-is, i.e. no involvement of the PIB</i>

S 3 Central Bank Digital Currency (CBDC)

S 3 Central Bank Digital Currency (CBDC)	
<i>Developing expertise on CBDC to give input into ongoing advisory and engagements.</i>	
Entities considering this scope item at time of PIB Design	<i>CBDC initiatives are, by definition, run by the SARB.</i>
Issues faced at time of PIB Design	<i>None identified</i>
Decision Point	<i>Should the PIB build relevant expertise on CBDC?</i>
Option agreed by the Industry	<i>The PIB would invest in resources to build relevant CBDC expertise to provide consultative inputs in regulatory / legislative policy making.</i>
Rationale for agreed option	<i>CBDC could become a new, broadly accepted form of money and payment systems would be required to facilitate retail payments and payment acceptance. The PIB, therefore, needs to understand this space to fulfil its potential future role. The PIB would include work in support of the SARB as the owner of the CBDC.</i>
Alternate options considered by the Industry	<i>No involvement of the PIB in CBDC</i>

S 4 Closed loop systems / interoperability

The content of S 4 was incorporated into “F 3.5.3 Query Management” in section 3.5.4.5, “F 3.5 Industry Facilitation” as per section 3.1.2, “Other topics that required further discussion in Functions & Scope” and S 4 was therefore removed. Reference to this item was however kept to allow for consistent numbering with previous versions of content decks that were circulated during the PIB Design Programme.

S 5 Common Monetary Area (CMA)

S 5 Common Monetary Area (CMA)	
<i>Payments between South Africa and Lesotho, eSwatini or Namibia.</i>	
Entities considering this scope item at time of PIB Design	<i>BASA advocated at a principle level while PASA had assisted at an implementation level.</i>
Issues faced at time of PIB Design	<i>Alignment with international standards Improved sanction screening data in messages Commercial viability of building payment system for small volume applications.</i>
Decision Point	<i>Should the PIB play a role in solution design for CMA payments?</i>
Option agreed by the Industry	<i>The PIB could play a role in implementation (i.e. project management) on request.</i>
Rationale for agreed option	<i>Given that only three PASA members were involved in CMA payments, solution design could easily be managed among the affected parties. Should they need assistance, however, the PIB should be open to providing inputs.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>Solution and implementation involvement of the PIB</i> Alternate Option 2: <i>No involvement of the PIB</i>

S 6 Southern African Development Community (SADC) payments**S 6 Southern African Development Community (SADC) payments***Interoperability of payments across SADC.*

Entities considering this scope item at time of PIB Design	SADC Banking Association, BankservAfrica and the Committee of Central Bank Governors.
Issues faced at time of PIB Design	Unknown
Decision Point	All the necessary roles were covered by other parties. Should the PIB try to understand and monitor this space?
Option agreed by the Industry	The PIB would create capacity for understanding and monitoring SADC activities.
Rationale for agreed option	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.
Alternate options considered by the Industry	Alternate Option 1: Continue as-is, i.e. no involvement of the PIB

S 7 Crypto assets (i.e., cryptocurrencies; privately issued stable coins)**S 7 Crypto assets (i.e., cryptocurrencies; privately issued stable coins)***Non-central bank issued cryptocurrencies and stable coins.*

Entities considering this scope item at time of PIB Design	Crypto assets were unregulated, although regulation planned to bring this into the remit of the SARB and FSCA.
Issues faced at time of PIB Design	None identified
Decision Point	What should the PIB involvement be in the crypto assets landscape?
Option agreed by the Industry	The PIB would monitor international and local developments on this topic.
Rationale for agreed option	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 would not be payments related, even that seems unlikely. The PIB could monitor international and local developments / advancements on crypto assets.
Alternate options considered by the Industry	Alternate Option 1: Continue as-is, i.e. no involvement of the PIB Alternate Option 2: Defining role for the PIB

S 8 Cross-border standards

S 8 Cross-border standards	
<i>Payments between South Africa and jurisdictions outside of the CMA and SADC.</i>	
Entities considering this scope item at time of PIB Design	<i>Banks via correspondent networks while SWIFT was responsible for supporting standard setting.</i>
Issues faced at time of PIB Design	<i>There was a need for alignment between domestic and cross-border payment standards. The G20 initiative on dropping the costs of cross-border payments.</i>
Decision Point	<i>What should the PIB's involvement be in the cross-border landscape?</i>
Option agreed by the Industry	<i>The PIB should advocate for international standards in the initiatives which would impact on South African payment providers.</i>
Rationale for agreed option	<i>The convergence of international and domestic payment systems, and the pursuance of regional interoperability, mean that the PIB would need to understand cross-border payment initiatives to perform its domestic role. This was also in line with the Design Principle relating to policy objectives. The aim would be to support the industry goal of only building payment systems once or that at least would be aligned as far as possible.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>The PIB would advocate for international standards but would not build capacity to understand cross-border payments</i> Alternate Option 2: <i>No PIB involvement; other bodies would advocate for domestic and international alignment</i>

S 9 Expert advice on interchange principles

S 9 Expert advice on interchange principles	
<i>Principle-based stance on interchange for feedback into regulators.</i>	
Entities considering this scope item at time of PIB Design	<i>The SARB had completed an interchange study validating current methodologies.</i>
Issues faced at time of PIB Design	<i>None identified</i>
Decision Point	<i>Should the PIB give expert inputs into interchange models and setting?</i>
Option agreed by the Industry	<i>If consulted by the SARB, the PIB would provide expert inputs for setting up the interchange principles.</i>
Rationale for agreed option	<i>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, would need to understand the basic principles of interchange.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>No involvement of the PIB</i>

S 10 Reduced usage of cash

S 10 Reduced usage of cash	
<i>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.</i>	
Entities considering this scope item at time of PIB Design	<i>Various parties had an interest, but there was no coordinated regulatory or societal approach.</i>
Issues faced at time of PIB Design	<i>There was lack of coordination across various entities and regulators who had a broader interest in the uptake of digital payments at the expense of cash.</i>
Decision Point	<i>Should the PIB be involved in coordinating with other players to uptake digital payments at the expense of cash?</i>
Option agreed by the Industry	<i>The PIB should strongly advocate for the formation of a coordinating body but would not take the lead.</i>
Rationale for agreed option	<i>The adoption of non-cash payments is a much broader discussion than simply 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.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>PIB would play a role of coordinating body across various entities and regulators</i> Alternate Option 2: <i>No involvement of the PIB</i>

S 11 Open payments

S 11 Open payments	
<i>The South African open banking regulation is yet to be defined. Is there a role for the private sector beyond standard setting?</i>	
Entities considering this scope item at time of PIB Design	<i>No one; however, regulatory engagements were ongoing.</i>
Issues faced at time of PIB Design	<i>Regulatory process was progressing; however, various fragmented models were being built in the interim.</i>
Decision Point	<i>Should the PIB be involved in harmonising the fragmented models of different players?</i>
Option agreed by the Industry	<i>The PIB would undertake initiatives to consult members and provide inputs to regulatory bodies.</i>
Rationale for agreed option	<i>The PIB could undertake a consultative role for providing inputs to the ongoing regulatory process on open payments.</i>
Alternate options considered by the Industry	Alternate Option 1: <i>Continue relying on private institutions to drive open payments initiatives with the SARB creating a common regulatory framework (as-is). PIB consulted.</i>

S 12 Overlay services

S 12 Overlay services	
<p><i>This scope item covers auxiliary and value-added services to payments, including but not limited to: Account Verification; Request to Pay; Proxy (Directory) services; Mandate initiation services; Authentication.</i></p>	
Entities considering this scope item at time of PIB Design	Ad hoc
Issues faced at time of PIB Design	PASA had limited jurisdiction over non-financial transactions, leaving each Operator to define its own version.
Decision Point	Should the PIB be involved in standards and rules for non-financial, payments-related transactions?
Option agreed by the Industry	The PIB would harmonise adjacent services when provided by more than one PSO.
Rationale for agreed option	<p>Many of these services were critically related to payment transactions, and the proliferation of different approaches was inefficient for users and participants.</p> <p>Therefore, the recommendation that when the same overlay service was provided by multiple Operators, there should be a level of alignment to prevent this inefficiency.</p> <p>Also, where platform architectures overlap, services should adhere to the standards of common platforms.</p>
Alternate options considered by the Industry	<p>Alternate Option 1: No involvement of the PIB: Operator would take full responsibility</p> <p>Alternate Option 2: The PIB would manage adjacent services only when they were a critical part of the clearing function, e.g. mandates in DebiCheck</p>

S 13 Cross-border regulation**S 13 Cross-border regulation**

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

Entities considering this scope item at time of PIB Design	Ad hoc
Issues faced time of PIB Design	There were no common standards for cross-border payments.
Decision Point	What should the role of the PIB be in terms of its involvement in advocacy on payments exchange controls?
Option agreed by the Industry	The PIB would advocate for fit-for-purpose cross-border payments regulation including Balance of Payments reporting, International Funds Transfer Reporting (IFTR) and FATF 16 requirements.
Rationale for agreed option	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.
Alternate options considered by the Industry	Alternate Option 1: No involvement of the PIB



CHAPTER 4

Mandate & Recognition

“Responsibility equals accountability equals ownership. And a sense of ownership is the most powerful weapon a team or organisation can have.”

Pat Summitt

4. Mandate & Recognition

4.1 Background

As noted in section 1.2, “Background” the Policy Paper published by the National Treasury in 2018 proposed the withdrawal of the PASA PSMB recognition included in the current NPS Act and, by implication, significant changes to the broader role played by PASA in assisting the SARB to manage the NPS. The legal recognition of PASA would thus be withdrawn, although the exact timing thereof was unclear at the time of the PIB Design Project.

4.2 Consultation and Sign-Off Process

As mentioned in the Design Principles section 2.3.3, “DP 2: Mandate Design Principles” there were requests for clarity on how the PIB could support regulatory objectives without formal Regulatory Recognition. Although the Project Team had researched other jurisdictions across the globe looking for potential answers from similar industry bodies, there were none that were a suitable fit for the local nuances of the South African landscape.

At the Industry Workshop held on 27 and 28 January 2022, the Project Team presented various options which focused on the practical mandate requirements to enable the PIB to execute on its functions. The recommendation, which is covered in further detail in section 4.3, “Signed-off Mandate & Recognition” stated that the PIB will require both a Member Mandate and Regulatory Recognition. Subsequent to the Workshop this proposal was signed off by the Industry on 11 February 2022, after which it was communicated to the SARB in a letter dated 15 February 2022.

During the Industry Workshop on 23 March 2022 the SARB responded to the Industry’s request for Regulatory Recognition with a two-pillar model outlining the approach proposed for recognition of the PIB in law (as detailed later in section 4.4, “Two-Pillar model proposed by the SARB”). During the Workshop, smaller breakout groups were provided with the opportunity to discuss and debate the recommendation. The Industry unanimously supported the proposed approach, with no material concerns being noted. The Project Team consequently communicated the Industry’s support for the proposal to the SARB on 20 April 2022.

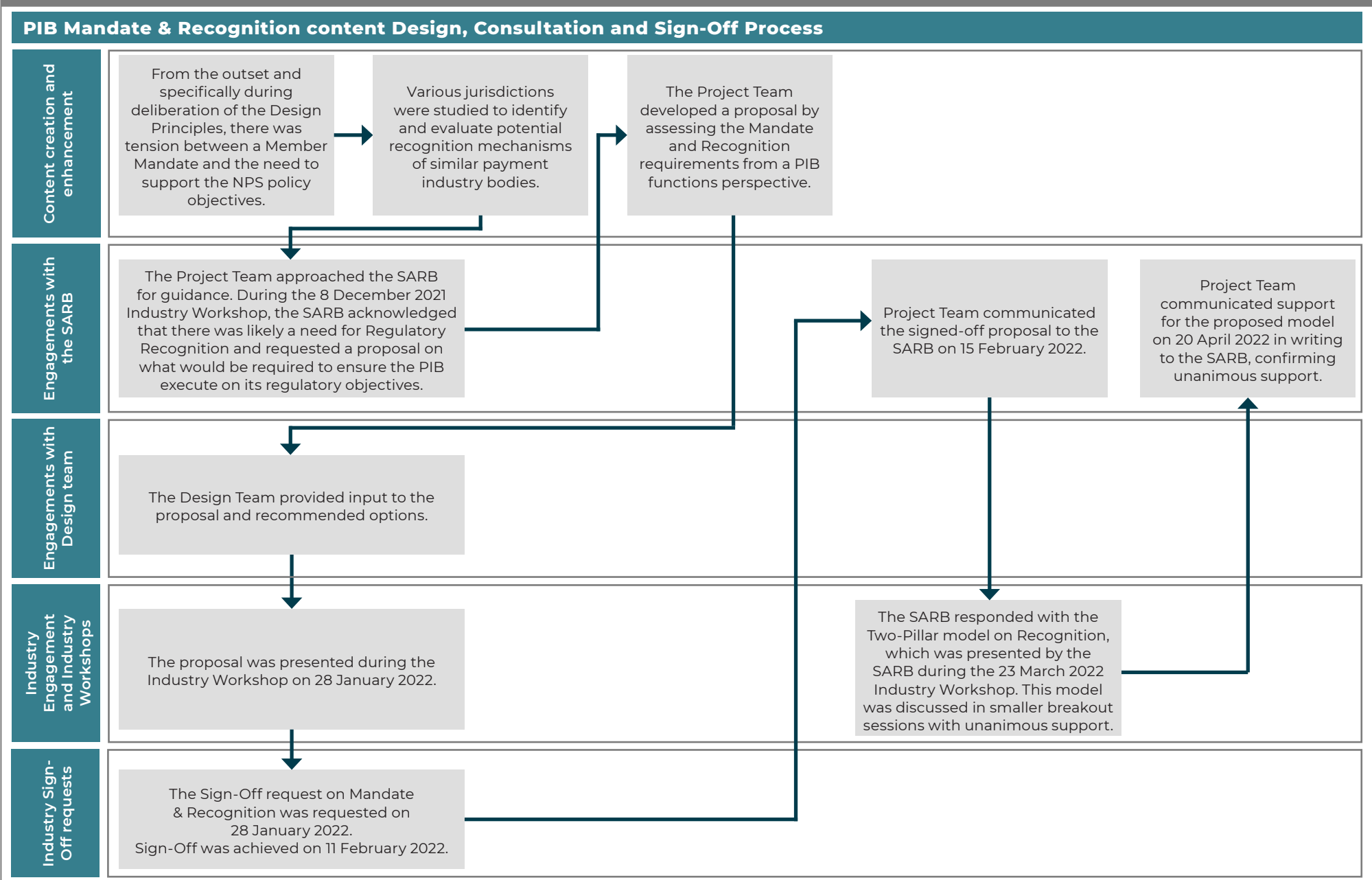
4.3 Signed-off Mandate & Recognition

A pragmatic approach was followed to define the Mandate & Recognition requirements for the PIB to execute on its functions. Special emphasis was also given to Design Principle 2.4 which states that the PIB must be “*appropriately mandated or recognised to have the required powers.*” Furthermore, it stipulates that “*this includes mandatory membership for payment services providers and participants.*” The Project Team considered the PIB functions, which were largely agreed at that point, and identified both functions which required Regulatory Recognition and functions which required a Member Mandate. For example, the following functions would require Regulatory Recognition:

- F 1.1 Rule Setting
- F 1.2 Standard Setting
- F 1.4 Compliance Management
- F 2.1.3 Operations, performance and health monitoring



Figure 4.1: PIB Mandate & Recognition content Design, Consultation and Sign-Off Process



It is important to note that the functions listed above were intended to be illustrative examples and that the list was not necessarily a comprehensive one.

These functions were identified as requiring Regulatory Recognition as they implied the PIB needed the ability to:

- Hold members accountable for adherence to PIB rules (including interoperability rules)
- Escalate non-compliance to the SARB for sanction
- Agree and uphold common project implementation dates
- Allow for local rules to supersede international Scheme rules:
 - Local nuances which differ from international practice (e.g. purchase on budget)
 - Aligning industry implementation dates for mandated Scheme activities
- Allow for interoperability rules to supersede all Scheme and Operator rules
- Define and apply risk frameworks

The need for mandatory membership for licensed entities to enforce adherence to interoperability rules and prevent industry fragmentation had already been identified and included in the Design Principles.

The below functions were identified as examples of functions requiring a Member Mandate:

- F 3.1 Capacity Building
- F 3.2 Strategy Development
- F 3.5 Industry Facilitation
- F 5.1 Industry Representation
- F 3.4 Payment Statistics

It was further noted that the mechanism for the Member Mandate of the PIB would, in line with governance principles, be derived from its constitution or Memorandum of Incorporation (MOI). Should the SARB request the PIB to take on additional functions, it could do so subject to the approval from the PIB board or from PIB members. In some cases, a

Member Mandate could create binding conditions on the members.

The function examples cited above clearly demonstrated the need for both a Member Mandate and Regulatory Recognition. The Industry therefore signed-off that: *The PIB requires both regulatory recognition and a member mandate to fulfil all its functions.*

The next question related to the nature of the Regulatory Recognition required. The Project Team therefore considered various levels of Regulatory Recognition, ranging from the strongest (inclusion in law, e.g. inclusion in the NPS Act) through to the weakest (mandatory membership only). The options generated were as follows:

- **Option one:** *Inclusion in the NPS Act.*
- **Option two:** *Some kind of 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:*
 - I. Mandatory membership as part of licensing conditions
 - II. A Directive (or another equivalent legal mechanism) to further strengthen the PIB's recognition in law
- **Option three:** *Membership enforced as licensing condition (looser recognition in law), which has already been implied in the Design Principles.*
- **Option four:** *No Regulatory Recognition – Member Mandate only (no mandatory membership and no mandate in law). This is, however, contrary to the Design Principles.*

Option one had already been excluded by the 2018 Policy Paper (section 1.2, "Background"). *Feedback from various community members suggested that Option three was not seen as sufficient regulatory recognition, particularly to make PIB rules supersede scheme rules.* The Design Principles disqualified

Option four. Option two was recommended as the most appropriate, given the requirements explained above. Option two was approved in the Sign-Off Process as the appropriate level of Regulatory Recognition required.

The SARB responded to the Industry's request for Regulatory Recognition with a two-pillar model outlining the approach proposed for recognition of the PIB in law.

4.4 Two-Pillar model proposed by the SARB

The SARB responded to the request for Option two with a Two-Pillared proposal for Regulatory Recognition, as outlined below:

- **Pillar I: 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.
- **Pillar II: Licensing of 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 if required and to manage the risks associated with interoperability. The SARB will oversee the PIB activities.

CHAPTER 5

Membership & Governance

“Inclusivity means not just ‘we’re allowed to be there’, but ‘we are valued’. I’ve always said: smart teams will do amazing things, but truly diverse teams will do impossible things.”

Claudia Brind-Woody

5. Membership & Governance

5.1 Consultation and Sign-Off Process

The Membership & Governance Framework was first introduced in the workshop on 8 December 2021 and discussed in further detail during the January 2022 two-day Industry Workshop. Sign-Off was not achieved in the first round, with several areas requiring clarification and greater consistency in wording, as well as concerns cited relating to the three matters raised in section 5.1.1, “Topics that required further discussion”. The Project Team addressed the clarifications and consistency through engagements with the relevant parties. Sign-Off on most of the content was achieved on 8 April 2022, but the three topics in section 5.1.1, “Topics that required further discussion” remained contentious and were not closed out until much later. The Project Team continued to consult and negotiate with the relevant parties on these three topics from April to July 2022, with the intention to reach agreement in principle before initiating another Sign-Off cycle. Although agreement was reached on two of the three topics, a meeting of minds was not achieved on the third topic. Eventually, two competing options were put before the Industry for final Sign-Off (see section 5.3.2.4 “OIIP Member Participation Options”). All the outstanding Membership & Governance topics were finally signed off on 16 August 2022. A fairly even split was obtained across the two competing options that were proposed. Figure 5.1 “PIB Membership & Governance content Design, Consultation and Sign-Off Process” depicts the various Industry Workshops held, engagements with parties who had material comments and Sign-Off dates.

5.1.1 Topics that required further discussion

1. OIIPs: The Design Principles allowed voluntary membership for unlicensed entities (OIIPs) but did not mandate membership of unlicensed parties in the PIB. Although the programme consistently aimed to maximise the inclusivity of

the PIB, concerns were expressed, firstly, that the involvement of unlicensed entities in the PIB could permit the entry of potential “bad actors” into the PIB and add intolerable risk into the NPS and, secondly, that changes related to the inclusion of licensed non-bank members were already material and that perhaps the inclusion of unlicensed members in the PIB could be postponed to a later date to limit the change impact on the Industry. The first concern was mitigated through the articulation of entry criteria for unlicensed members (see section 5.3.1.4, “Other Interested or Impacted Parties (OIIPs)”). The second concern was not fully mitigated, with two alternate proposals eventually being put forward to the Industry, as articulated in section 5.3.2.4 “OIIP Member Participation Options”.

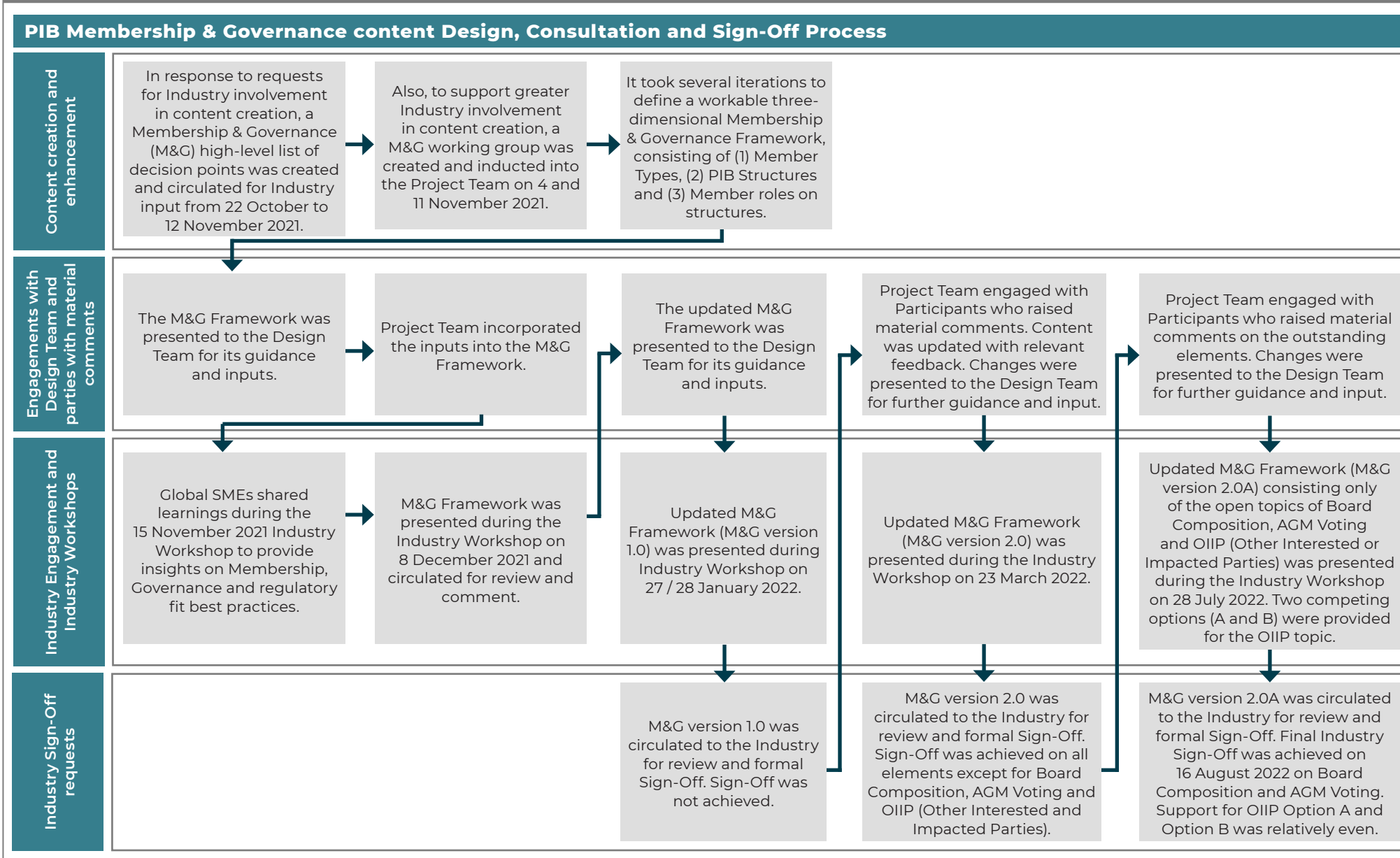
2. Board Composition: The Design Principles require adherence to King IV, which clearly defines the role of the governing body and the fiduciary responsibilities of members of the governing body. The challenge therefore was to define a balanced Board, with the necessary perspective, skills and experience, as well as the appropriate independence, skills diversity and Board member ability to apply unfettered discretion to the interests of the PIB. The outcome has been detailed in section 5.3.3.3 “Board Composition”.

3. AGM Voting: The role of the AGM as the apex member body and also as defined in the Companies Act* (see section 5.3.3.1 “PIB Legal Entity” which articulates the decision that the PIB should be a not-for-profit company), was an area of considerable debate. The challenge here was to ensure that the voice of the Clearing Participants, who still bore the majority of the risk in the NPS, would not be overwhelmed by the rest of the Industry. The solution, therefore, was to attempt to find a system of AGM Voting that adhered to the Companies Act and balanced the rights and obligations of the different Member Categories. The final and signed-off proposal is documented in section 5.3.4.3 “Voting at the General Meeting”.



* South African Government Gazette, “Companies Act 71 of 2008”, <https://www.gov.za/documents/companies-act>

Figure 5.1: PIB Membership & Governance content Design, Consultation and Sign-Off Process



5.2 Developing the Decision Framework

Unlike Functions & Scope, Membership & Governance could not simply be reduced to a list of items for consideration. Research into other jurisdictions was useful in giving insight into alternative models, but the South African specifics of King IV, relevant sections from the Companies Act as well as existing Participant expectations arising from the PASA operating model, meant that local nuances played a significant role in developing a Decision Framework. As a result, different approaches to structuring a comprehensive set of decision points were attempted before the Project Team was satisfied that it had a coherent Decision Framework.



Step one: As-is analysis

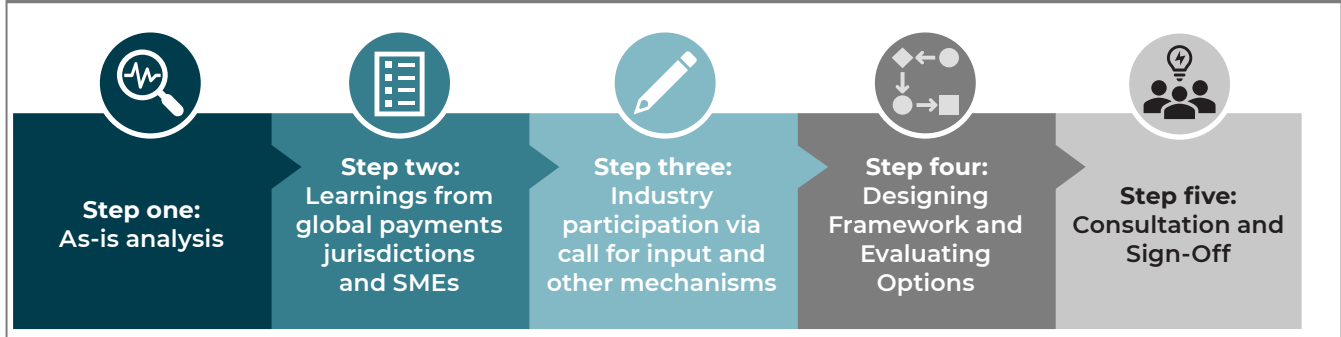
As part of the as-is analysis, the Project Team first identified a set of the high-level questions which would need to be answered in structuring a Membership & Governance Framework. To this end, the team analysed the PASA Constitution to identify key governance components for consideration. The Project Team further analysed the payments activities of various entities within the South African landscape, the proposed changes in the regulatory environment, particularly those relating to activity-based licensing, (see section 1.2 “Background”) and the potential implications of these changes on the payment participants.



Step two: Learnings from global payments jurisdictions and sessions with Subject Matter Experts (SMEs)

The Project Team researched payment bodies across various jurisdictions for relevant insights and examples of membership and governance structures. This included tiered membership categories from AusPayNet and governance structures from Payments Canada, Pay.UK., and AusPayNet.

Figure 5.2: Steps illustrating the approach followed in developing the PIB Membership & Governance Framework



Leading global SMEs were approached to share their insights and learnings during the PIB Industry Workshops. These included Andy White, CEO of AusPayNet and Leo Lipis, an international payment consultant from Lipis Advisors. Mr White focused on various attributes of AusPayNet including membership categories, governance and consultation, rights and obligations, and regulatory fit. Mr Lipis shared global, mostly European Union-based, best practices in payments rule-making, standardisation and governance.



Step three: Industry participation via call for input and other mechanisms

A call for input provided Industry participants with an opportunity to contribute to the content development for the Membership & Governance Framework. The opportunities for Industry input into content development are depicted in figure 5.3 “Call for input approach”.

Five individuals volunteered and were incorporated into a Working Group which assisted the Project Team in developing the draft Membership & Governance Framework. The individuals are:

- Cat Denoon-Stevens
- Johann van Tonder

- Matthew Coaker
- Megan Brown
- Tremaine Hechter

Their contributions and insights greatly assisted in content structuring and development



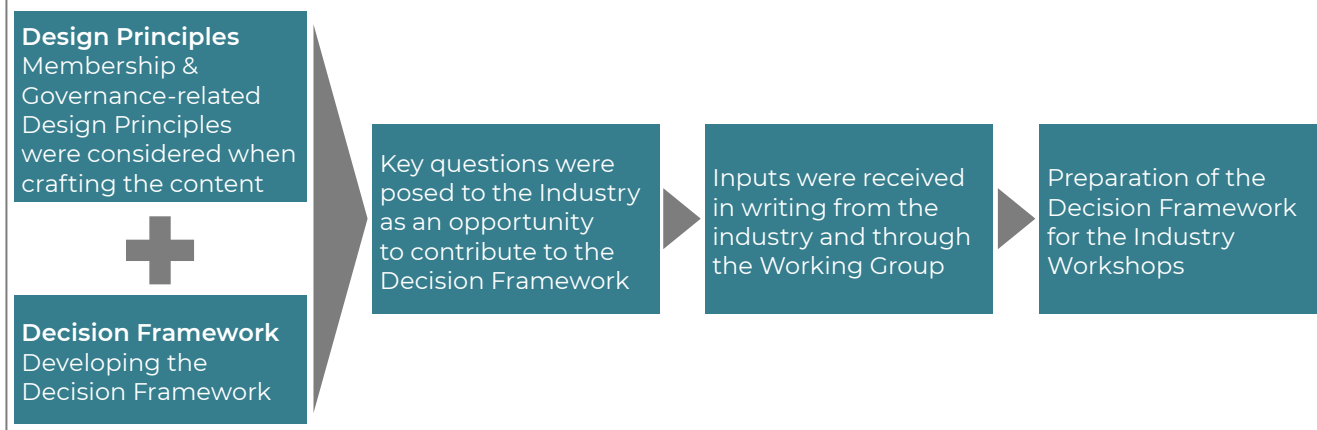
Step four: Designing Framework and Evaluating Options

Eventually the Project Team settled on a three-dimensional model for Membership consisting of:

1. Member Types
2. PIB Structures
3. Roles of different Member Types in PIB Structures

A distinction was drawn between Governance Structures, Participation Structures and Management Structures. Management Structures would be covered in the Target Operating Model (see section 1.5.3 “Design”) and were therefore out of scope for the Membership & Governance Framework.

The General Meeting has been dealt with separately from the PIB Structures and the Board.

Figure 5.3: Call for input approach

Step five: Consultation and Sign-Off

The Decision Framework was introduced in the 8 December 2021 Industry Workshop, with breakout sessions held to consider the content in more detail. The Membership & Governance Framework was refined and discussed over multiple workshops, breakout sessions, and individual engagements with entities and associations. The Consultation and Sign-Off details are articulated in section 5.1 “Consultation and Sign-Off Process”.

5.3 Signed-off Membership & Governance

The three-dimensional model underpinning the Decision Framework was broken into three discussion topics when presented to the Industry:

1. Member Type was covered in “Membership Categories”, which articulated the different Member Types by activity and then considered how this translates to Membership Categories.

2. PIB Structures were broken into Participation Structures (covered under “Committees and Participation Structures”) and Governance Structures (covered under “The Board”). The terms “forum” and “structure” are used interchangeably in the signed-off text.
3. The roles and participation of different Member Types on PIB Structures were covered in their respective sections, “Committees and Participation Structures” for Participation Structures, and “The Board” for Governance Structures.





The material was, therefore, presented in the following four sections, with the fourth section “PIB Conceptual Structure Illustration” bringing the full model together into a single high-level conceptual model.

Figure 5.4: Topics included in Membership & Governance Framework

1	2	3	4
<p>Membership Categories</p> <ul style="list-style-type: none"> • Considerations for determining PIB 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 (OIIPs) • Membership Category Options 	<p>Committees and Structures</p> <ul style="list-style-type: none"> • PIB Proposed Committees and Structures • Member involvement in Participation Structures • Member Participation Structure – decision making process, details on five proposed member structures • Advisory Committees • Board Stakeholder Forums 	<p>The Board</p> <ul style="list-style-type: none"> • Role of Board and Board Members • Board Composition • Board Committees • Board Member Appointment and Election Processes 	<p>PIB Conceptual Structure Illustration</p> <ul style="list-style-type: none"> • PIB Conceptual Structure which results from section 1-3

5.3.1 Membership Categories

5.3.1.1 Considerations for determining PIB Membership Categories

Five different types of entities, performing different classes of activities in the NPS were identified (see section 5.3.1.2 “Entities organised by activities in the Payments Ecosystem”). These entity types (referred to as Member Types) needed to be organised into PIB Membership Categories which would define member rights and obligations. Careful thought was therefore given to the definition of Membership Categories and to the allocation of Member Types thereto.

Guidance 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)*

Note: The “Skin in the game concept” refers to the need to recognise the level of investment and risk impact on parties who are active in specific areas.

5.3.1.2 Entities organised by activities in the Payments Ecosystem

Member Types were defined by activity to align with the changes to the NPS Act as articulated in the 2018 Policy Paper (see section 1.2 “Background”). The five types of entities (Member Types) identified are:

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, BankservAfrica, Visa, Mastercard).

3. Clearing Participants

Designated Clearing System Participants and Non-Systemically 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 PSOs.

4. PSPs

A 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 would be included in this group (refer to “Payment Activities” below for further detail). An SO is a non-bank that provides electronic means to businesses to make or receive payments. A 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. OIIPs

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 Payment System.

Payments Activities

To support the Industry in obtaining a better understanding of the activities that would define PSPs, the draft list of activities that were under consideration for licensing by the Regulators was shared.

The following is the list of activities included for licensing in the first draft of the COFI Bill introducing* 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.

* The word “introducing” has been added to indicate that this was the first draft of the COFI Bill to introduce consequential amendments to the NPS Act, not the first draft of the COFI Bill itself.

Member Types were defined by activity to align with the changes to the NPS Act as articulated in the 2018 Policy Paper.

Figure 5.5: Payments Activities included in first draft of COFI Bill to introduce consequential amendments to the NPS Act

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)

5.3.1.3 Mapping of entity activities to current and possible future regulation

The Project Team then mapped the Member Types against regulation at the time of the PIB Design and the potential future regulatory regime. While many entities may participate in multiple activity categories, the regulatory mapping below works on the basis that the most onerous licensing conditions determine the Member Type or classification.

Figure 5.6: Mapping of entity activities to current and possible future regulation

Entity activity**	Description	Examples	Regulation at time of the PIB Design	Potential regulation in 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 / authorised / registered but doesn't fall into 1, 2 and 3 above.	TPPPs, SOs	Registered and / or authorised with PASA	Licensed*** by NPSD / FSCA
5. OIIPs	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

* As published by the SARB in Financial Stability Review – Second Edition 2020 (<https://www.resbank.co.za/en/home/publications/publication-detail-pages/reviews/finstab-review/2021/second-edition-2021-financial-stability-review>)

** The most onerous licensing conditions determined classification

*** As a correction the word "Registered / " before "Licensed" was removed as only "Licensed" is applicable.

5.3.1.4 Other Interested or Impacted Parties (OIIPs)

Potential interested or impacted entity types (unlicensed) include:

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

Considerations for voluntary membership

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

All unlicensed members of the payments community would be eligible to become members of the PIB via a voluntary Membership Category and would have to choose one of the following two options:

Figure 5.7: Membership Types offered under OIIP

Benefits	Basic	Prime
Ideal for	Service providers and small businesses	Players 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 in section 5.3.2.4, "OIIP Member Participation Options" requires all those who apply for Prime Membership to first register with the SARB.

Entry criteria for OIIPs

The following considerations would need to be applied for OIIP entry criteria

Experience through the PIB process suggested 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 (brick-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 saw 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 would include some level of due diligence. The entry requirements for PIB OIIP members cannot rely on the licensing process and would, therefore, need to be more onerous than for other member categories:

1. All OIIP entrants would need to be from one of the groups listed in (1), (2), (3) or (4)* above. New categories should be signed off at the PIB Board.
2. All OIIP PIB members should be subject to similar documentary and adverse media due diligence to that conducted by banks towards their clients.
3. All OIIP (and other) members would need to 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 in the 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 would not be reached in a consultation process.
5. As OIIP membership would be 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 should 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).

* When signed off, this content only referenced groups (1) to (3), missing that a fourth group had been added during the engagements referenced in section 5.1, "Consultation and Sign-Off Process".

Where consultation would be required by law and / or best practice on stakeholder engagements as per King IV, the PIB would consult accordingly, irrespective of membership status.

Role of Associations in the PIB

The following considerations were applied:

1. Certain associations have members who would be required to be licensed for payments (e.g. CIBA, ASO, BASA)
2. Others may have members who would not be licensed for payments, but who would have an interest or be impacted (e.g. ASISA, ADRA, LNBLA, MFSA)
3. Some associations have both members who would be required to be licensed and members who would not be licensed (e.g. SARPIF, Ecommerce Forum South Africa)
4. Entities whose membership would be voluntary were considering whether to join the PIB via their association, individually, or both
5. Associations, the majority of whose members have to be PIB members, were considering whether they too should be members
6. Some forums would be limited by numbers, but would have large groups of stakeholders (e.g. strategy forums), so associations representing a community of participants would 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, would be eligible to become members as OIIPs
2. Entities could choose individual membership and association membership. No limitation would be

placed on the ability of associations and their members to hold direct PIB membership

3. Member associations would participate in the Structures in line with figure 5.12 "Member involvement in Participation Structures: PSPs, OIIPs, Non-members"
4. Associations that have licensed members but didn't choose to have PIB membership, could still represent constituencies in forums where there was a constraint on numbers (e.g. strategy forums)
5. Associations would only have voting rights if / when given a proxy by a licensed member who had 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

5.3.1.5 Membership Category Options

Process for finalising the Membership Categories

A rigorous process was followed to organise the Member Types into Membership Categories. Member rights and obligations, through participation in the various Structures, as well as in the funding of the entity, were mapped at the lowest level of granularity by working at Member Type level. This was done so that Member Types with common rights and obligations could be grouped together into Membership Categories. Once completed, the granular work indicated that only the SI Clearing Participant and Clearing Participant Member Types had a perfect overlap, resulting in the Sign-Off of Option Model six as the preferred set of Membership Categories (see figure 5.8 "Membership Category Options"). The five Member Types (SI Clearing Participants, Operators, Clearing Participants, PSPs, and OIIPs) have thus been incorporated into four Membership Categories (Clearing Participants, Operators, PSPs and OIIPs). This Membership



Categorisation would apply to all PIB Participation Structures and to AGM Voting, and it would only be at Board level that each of the five Member Types would be considered individually.

Figure 5.8: 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 non-SI Clearing Participants and PSPs, and rest separate (4 categories)	Option Model 4: Non-Clearing Participants together (4 categories)	Option Model 5: SI Clearing Participants**, PSOs and rest combined (3 categories)	Option Model 6: Combining SI and non-SI Clearing Participants** and rest separate (4 categories)	Option Model 7: Combining SI and non-SI Clearing Participants** and PSOs, and rest separate (3 categories)
SI Clearing Participants	SI Clearing Participants and PSOs	SI Clearing Participants	SI Clearing Participants	SI Clearing Participants	SI and non-SI Clearing Participants**	SI and non-SI Clearing Participants**, PSOs
Operators (PSOs)		Operators (PSOs)	Operators (PSOs)	Operators (PSOs)		
Non-SI Clearing Participants**	Non-SI Clearing Participants**	Rest of licensed (non-SI Clearing Participants** and PSPs)	Non-SI Clearing Participants**	Rest	PSPs	PSPs
PSPs	PSPs		PSPs and OIIPs			
OIIPs	OIIPs	OIIPs			OIIPs	OIIPs
Feasible	Feasible	Feasible	Against Design Principle 3.2	Against Design Principle 3.2	Feasible	Feasible

* 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.
 ** References to "Banks" have been corrected to "Clearing Participants", as not all Clearing Participants are Banks, and the model is based on activity, not entity type.

The following considerations were applied:

- **Administrative complexities:** More categories would result in added administrative processes relating to billing and onboarding
- **Sufficient granularity:** Categories should allow for sufficient differentiation in the rights and obligations of members. If two categories had the same rights and obligations, then they could be merged

Provisional membership should be allowed for parties going through the process of becoming licensed or

joining a clearing system. Such entities might enjoy observer status, however, there would be no voting entitlement or funding obligations.

Signed-off Option

Option Model six "Combining SI and Clearing Participants and rest separate (4 Membership Categories)" was signed off by the Industry.

Rationale for signed-off option

It was clear that Member Type OIIPs was very different from PSPs, who in turn differed from

Operators and Clearing Participants. That meant that the viable options included one, two, six and seven and the similarities / differences between SI Clearing Participants, Clearing Participants and Operators ultimately determined the model. Arguably, Board processes were separate from the operational processes, suggesting that the focus should be on the commonality between Member Structure involvement and Funding Models. On that basis, SI Clearing Participants and Clearing Participants could be combined, which thus pointed to Option Model six as the most viable option.



5.3.2 PIB Committees and Structures

5.3.2.1 Defining PIB Committees and Structures

As per section 5.2 “Developing the Decision Framework”, three different types of PIB Structures have been identified:

1. Governance Structures are the governing body structures as defined in King IV

2. Participation Structures are used for stakeholder and member participation in and engagement with the PIB.

3. Management Structures are made up of PIB employees, working within delegated authority from the Board, to manage the PIB on a day-to-day basis.

The Structures have been designed by considering the functions to be fulfilled by the PIB, as well as the best practices defined in King IV and are as follows:

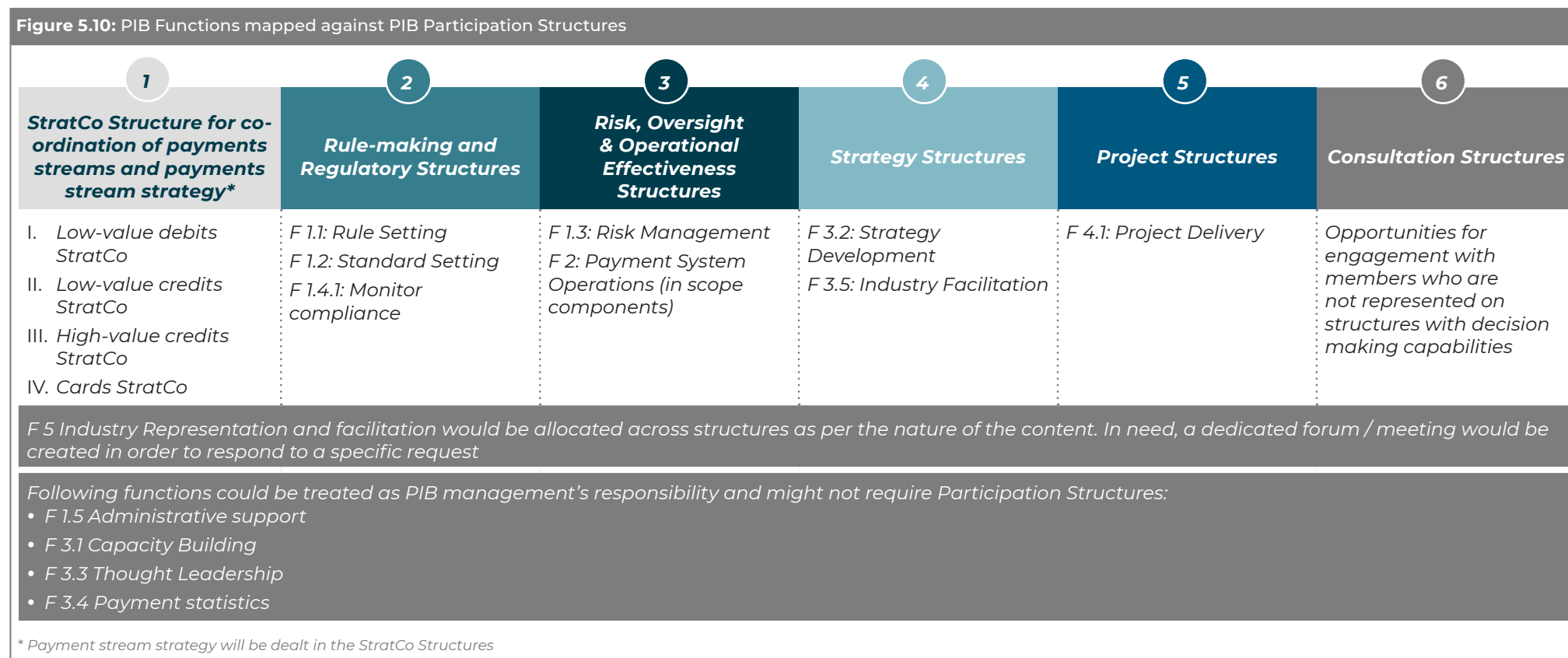
Figure 5.9: Proposed PIB Committees

Structure type	Proposed Committees*	Description
Governance Structures	Board	The apex governance body of the PIB
	Board Committees	Board Committees would be an extension of the Board; created to assist the Board to fulfil its duties
Stakeholder Forums	Board Stakeholder Forums	Board Stakeholder Forums would be 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 would be for members and experts to provide expertise on specific topics
Member Participation Structures	<ol style="list-style-type: none"> StratCo Structure** for co-ordination for payment streams: Low-value debits StratCo, Low-value credits StratCo, High-value credits StratCo, Cards StratCo Rule-making and Regulatory Structures Risk, Assurance & Operational Effectiveness Structures Strategy Structures Project Structures 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	

* Actual member committees would be determined in the transitional phase, but the current content outlines the granular detail of what would be needed

** The term “StratCo Structure” is introduced in Section 5.3.2.3 “Mapping of Member Types to Structures”

To ensure that the Structures are fit for purpose and comprehensive, functions agreed in section 3.5 “Signed-off Functions & Scope” have been mapped against the Participation Structures in the figure below:



5.3.2.2 Member involvement in Participation Structures

Member roles in the Participation Structures

Members can take part in Participation Structures in one or more of the following roles:

- I. **Voting participant:** A member who could cast a vote in a Participation Structure
- II. **Consulted:** A member who would be consulted in decisions; however, should have no voting rights. Only parties legitimately impacted should be consulted
- III. **Informed:** The member would 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

In this context, it was noted that:

- The Board may create Participation Structures or delegate the authority to create Participation Structures
- Some types of Participation Structures would not involve voting. These include:
 - **Advisory Committees** which would be populated with experts on a given topic including, but not limited to, Legal and Competition Act committees
 - **Stakeholder Forums** as platforms for consultation with stakeholders



Some types of Participation Structures would not involve voting. These include Advisory Committees and Stakeholder Forums.

5.3.2.3 Mapping of Member Types to Structures

Given the broad range of functions, some Structures (such as Rule-making and Regulatory Structures and Strategy Structures) could be further divided into sub-structures. These sub-structures are articulated in detail in section 5.3.2.5, "Participation Structures", but are also listed in the two figures below, where they are included for completeness.

The role of each Member Type across the various Participation Structures has been mapped:

Figure 5.11: Member involvement in Participation Structures: SI Clearing Participants, Operators (PSO), Clearing Participants

Participant Structure	Sub Structure (if any)	Member Types		
		SI Clearing Participants	Operators (PSOs)	Clearing Participants
Advisory Committees		Informed / Expert Advisor	Informed / Expert Advisor	Informed / Expert Advisor
Board Stakeholder Forum		Consulted / Informed	Consulted / Informed	Consulted / Informed
StratCo Structure (including payment stream strategy)		Voting Participant*	Voting Participant*	Voting Participant*
Rule-making and Regulatory Structure	Interoperability Rules	Voting Participant*	Voting Participant*	Voting Participant*
	Clearing standard setting	Voting Participant*	Voting Participant*	Voting Participant*
	Standard setting for payment initiation layers	Voting Participant*	Voting Participant*	Voting Participant*
	Compliance monitoring	No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures		Voting Participant*	Voting Participant*	Voting Participant*
Strategy Structures	Overarching Payments Strategy	Voting Participant*	Voting Participant*	Voting Participant*
	Common services e.g., overlay and initiation services	Voting Participant*	Voting Participant*	Voting Participant*
	Others (emerging strategic topics)	Voting Participant*	Voting Participant*	Voting Participant*
Project Structure		Voting Participant*	Voting Participant*	Voting Participant*
Consultation Structure		Informed / Expert Advisor	Informed / Expert Advisor	Informed / Expert Advisor

* Voting and consultation only apply to the scope areas where the respective member participants would be active.

Figure 5.12: Member involvement in Participation Structures: PSPs, OIIPs, Non-member

Participant Structure	Sub Structure (if any)	Member Types		
		PSPs	OIIPs – Members Option A	Non-members
Advisory Committees		Informed / Expert Advisor	Informed / Expert Advisor	Informed as appropriate / Expert Advisor needs basis
Board Stakeholder Forum		Consulted / Informed	Consulted / Informed	Informed as appropriate / Expert Advisor needs basis
StratCo Structure (including payment stream strategy)		Voting Participant*	Dependent on membership type / Informed	Informed as appropriate / Expert Advisor needs basis
Rule-making and Regulatory Structure	Interoperability Rules	Consulted*	Dependent on membership type / Informed	Informed as appropriate / Expert Advisor needs basis
	Clearing standard setting	Consulted*	Dependent on membership type / Informed	Informed as appropriate / Expert Advisor needs basis
	Standard setting for payment initiation layers	Voting Participant*	Dependent on membership type / Informed	Informed as appropriate / Expert Advisor needs basis
	Compliance monitoring	No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures		Consulted*	Informed	Informed as appropriate / Expert Advisor needs basis
Strategy Structures	Overarching Payments Strategy	Voting Participant*	Dependent on membership type / Informed / Expert Advisor	Informed as appropriate / Expert Advisor needs basis
	Common services e.g., overlay and initiation services	Voting Participant*	Dependent on membership type / Informed / Expert Advisor	Informed as appropriate / Expert Advisor needs basis
	Others (emerging strategic topics)	Voting Participant*	Dependent on membership type / Informed / Expert Advisor	Informed as appropriate / Expert Advisor needs basis
Project Structure		Voting Participant*	Needs basis voting participant or consulted / Informed	Informed as appropriate / Expert Advisor needs basis
Consultation Structure		Consulted*	Consulted / Informed	Informed as appropriate / Expert Advisor needs basis

* Voting and consultation only apply to the scope areas where the respective member participants would be active.

5.3.2.4 OIIP Member Participation Options

As per section 5.1.1 “Topics that required further discussion”, two competing options were circulated for consideration for OIIP member roles in the PIB Participant Structures.

Option A is articulated in the above figure 5.12 “Member involvement in Participation Structures: PSPs, OIIPs, Non-members” in the second from right-most column demarcated in blue.

Option B is:

- *Suitable controls around who would qualify for membership via suitable objective entry criteria, and*
- *Rights and obligations of membership being linked to activity and risk*
 - *Activity and risk are objectively defined in legislation (NPS Act) and as such licensed entities would need to be mandatory members.*
 - *An extension of this approach was proposed by requesting that parties that wished to formalise their rights of consultation, do so by registering their interest with the South African Reserve Bank (SARB). In this way 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, would be avoided.*
- *Associations would only have voting rights if/ when given a proxy by a licensed member who would have 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 would have rights of consultation and further would have 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 separately from its members.*
- *With rights come obligations (e.g. Members agree to be bound by outcomes when they*

would be included in a structure via voting or consultation); and

- *Consultation of OIIPs would be 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*

The figure below provides a comparative interpretation of Options A and B, both of which are deemed to comply with the Design Principles:

Figure 5.13: Comparative interpretation of the two options

Option A: PIB Decides	Option B: SARB Decides
Entry criteria for voluntary members	Entry criteria for voluntary members
Members are bound by prevailing PIB rules, policies and Code of Conduct	Members are bound by prevailing PIB rules, policies and Code of Conduct
Associations only have voting rights when given a proxy by a voting PIB member. No duplication of votes	Associations only have voting rights when given a proxy by a voting PIB member. No duplication of votes
Voluntary members have voting rights at the AGM	Voluntary members have voting rights at the AGM
Where appropriate (in the judgement of the PIB), voluntary members may have voting rights on Project Structures. No voluntary member voting rights on other Participation Structures (unless one of the conditions to the right are met).	Voluntary members may only have consultation rights on Participation Structures when: <ol style="list-style-type: none"> 1. Expressly granted by voting members 2. Exercising a proxy on behalf of a voting member 3. When SARB instructs that they may have a vote
PIB determines which voluntary members have a legitimate interest for consultation purposes	SARB determines which voluntary members have a legitimate interest for consultation purposes

5.3.2.5 Participation Structures

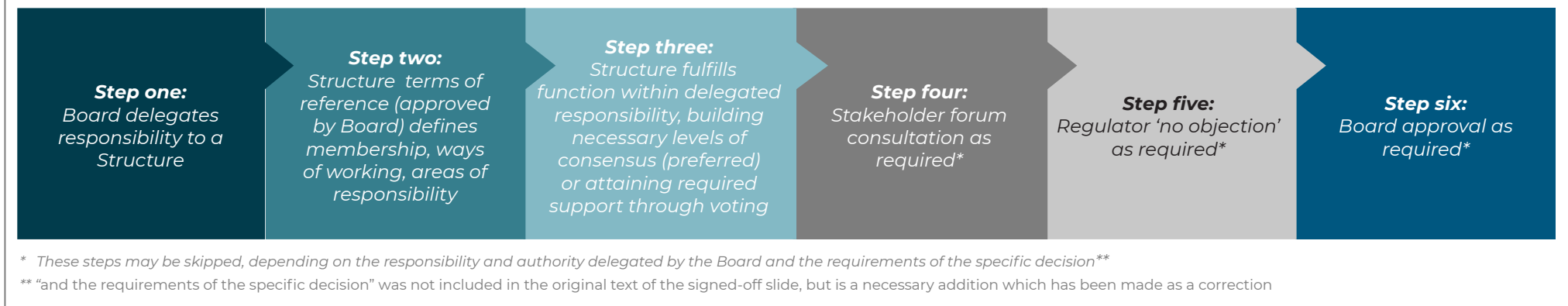
Section 5.3.2.3 “Mapping of Member Types to Structures” described the involvement of various Member Types in Participation Structures. This section presents the same information, but from the perspective of the Participation Structure, rather than the member. It also details the substructures listed in section 5.3.2.3 “Mapping of Member Types to Structures”.

First, however, elements of the Design Principles (see section 2.3 “Signed-Off Design Principles”) were reiterated as a reminder of the decision-making principles applied to the Participation Structures:

- *The PIB Board would be the governing body of the PIB and should be mandated to establish appropriate structures to fulfil 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 would be disclosed to all members / stakeholders*
- *The size of the structures has not been predetermined and would be dependent on members directly impacted*

These principles were then articulated into a process flow for PIB decision-making as per the below:

Figure 5.14: PIB Participation Structure decision-making process



The following recommendations were signed off:

- The Board should have the ability to create the necessary Member Structures in order to fulfil 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)

It was also agreed that consultation should be limited to only those parties who have a legitimate interest. While OIIP Option A and B (see section 5.3.2.4 "OIIP Member Participation Options") articulate the mechanism for identifying OIIP with a legitimate interest, the below points were agreed as defining criteria for which entities should be consulted:

- Members who did not have a 'seat-at-the-table' or a vote (e.g., PSPs and OIIPs for interoperability rules)

- OIIPs who had selected the Prime Membership option
- Members who would have a legitimate interest and / or who would be impacted by the changes

With the decision-making process clear, a structure-by-structure view was signed off, reflecting the role, likely membership and key considerations for each Participation Structure. In all cases, a sufficient consensus is achieved at 90% of the available votes and a supermajority is 75% of total votes.

#1 StratCo Structures

The function of StratCo Structures was to:

- Co-ordinate and align a holistic view of the payment stream
- Develop strategy for specific payment streams
- Be responsible for aligning support for ongoing innovations in the respective payment stream

The StratCo participation was defined as:

Maximum 30 members include representatives from membership groupings showed below:

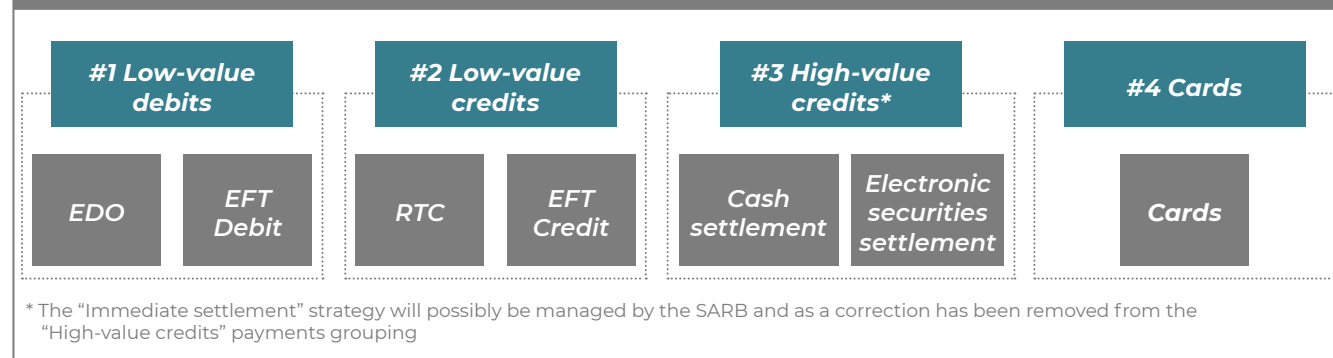
Figure 5.15: Participation in StratCo Structure

Description	SI Clearing Participant	Operators (PSOs)	Clearing Participant	PSPs	OIIPs
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*

* Prime or Basic Membership

The existing PCH PGs in PASA at time of PIB Design could be aligned to proposed payments groupings in the following manner. These are to be finalised in transition phase.

Figure 5.16: Mapping of existing PCH PGs in PASA to proposed payment groupings



#2: Rule-making and Regulatory Structure

The function of the Structure was:

- Setting the interoperability rules
- Ensuring interoperability across Operators by acting as common standard authority
- Acting as a mediator if Scheme owner is unable to resolve Scheme rule disputes
- Consulting with the Industry to define payment initiation standards
- Monitoring compliance as mandated

The following considerations relating to the Rule-making and Regulatory Structures were taken into account when designing the Structure and formulating the recommendations:

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

Based on the wide range of functions listed above, the Rule-making and Regulatory Structure could further be divided into four sub-structures as depicted in the figure below:

Figure 5.17: Rule-Making and Regulatory sub-structures	
Sub-structures	
Interoperability Rules	<i>Only Clearing Participants in that stream</i>
Clearing standard setting	<i>Only Clearing Participants in that stream</i>
Standard setting for payment initiation layers	<i>All parties involved in providing that type of payment initiation, as well as Clearing Participants for impacted streams</i>
Compliance monitoring	<i>Should be conducted by PIB personnel as independent parties</i>

Participation of the Member Types in the Rule-making and Regulatory Structure has been mapped below:

Figure 5.18: Participation in Rule-making and Regulatory sub-structure				
Description	Interoperability Rules*	Clearing standard setting*	Standard setting for payment initiation layers*	Compliance monitoring
SI Clearing Participants	<i>Voting Participant</i>	<i>Voting Participant</i>	<i>Voting Participant</i>	<i>No member representation; conducted by independent PIB personnel</i>
Operators (PSOs)	<i>Voting Participant</i>	<i>Voting Participant</i>	<i>Voting Participant</i>	
Clearing Participants	<i>Voting Participant</i>	<i>Voting Participant</i>	<i>Voting Participant</i>	
PSPs	<i>Consulted</i>	<i>Consulted</i>	<i>Voting Participant</i>	
OIIPs	<i>Consulted / Informed</i>	<i>Consulted / Informed</i>	<i>Consulted / Informed</i>	
<i>* Voting and consultation only apply to the scope areas where the party would be active or impacted.</i>				

The following recommendations were signed off:

- Sufficient consensus should be 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 Chair(s) (PIB employees) for payment initiation layer standard setting given more diverse participants

- Recommend member appointed Chair(s) for interoperability rules and standards given the operational expertise required

#3: Risk and Operational Effectiveness (ROE) Structures

The Risk and Operational Effectiveness Structures would be responsible for the following PIB functions:

- 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

The following considerations relating to the ROE Structures were taken into account when designing the structure and formulating the recommendations:

- Although decisions would be 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 should be preferred, but a supermajority would be required to carry any vote (so deciding vote for Chair does not apply)

Participation of Member Types in the ROE Structure has been summarised below:

Figure 5.19: Participation of Members categories in the ROE Structure

Description	ROE Structure*
SI Clearing Participants	Voting Participant
Operators (PSOs)	Voting Participant
Clearing Participants	Voting Participant
PSPs	Consulted
OIIPs	Informed
* Voting and consultation only apply to the scope areas where the party would be active or impacted	

The following recommendations were signed off for the functioning of the Structure:

- As this (the ROE Structure) 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
- It is critical to ensure that robust incident communication mechanisms are in place for impacted users who would not be represented on these forums

#4: Strategy Structures

The Strategy Structures would be responsible for the following PIB functions:

- Leveraging multiple regulatory vision documents, PIB mandated to define (in consultation with Industry) a multi-year payments strategy for the

country; draw up a development roadmap with initiatives

- Provide inputs into industry strategic issues

Based on the range of functions listed above, the Strategy Structure was further divided into three sub-structures:

Figure 5.20: Participation of Members categories in the Strategy structure

Structure Composition		
Structure*	Number of attendees	Made up of
Overarching Payments Strategy	Max 30	SI Clearing Participants, PSO, Clearing Participants; PSP and OIIP**
Common services e.g., overlay and initiation services	Max 30	SI Clearing Participants, PSO, Clearing Participants; PSP and OIIP**
Others (emerging strategic topics)	Max 30	SI Clearing Participants, PSO, Clearing Participants; PSP and OIIP**
* Payment Stream specific strategy will be handled by StratCos		
** The words "Balance of" have been removed from the start of the sentence as an error correction		

The following considerations relating to the Strategy Structures were taken into account when designing the structure and formulating the recommendations:

- 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

- Whether there should 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

Participation of Member Types in the Strategy Structure has been summarised below:

Figure 5.21: Participation of Membership Types in the Strategy Structure

Description	Overarching Payments Strategy*	Common services, e.g. overlay and initiation services*	Others (emerging strategic topics)
Number of attendees	Max 30	Max 30	Max 30
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
OIIPs	Consulted / Informed	Consulted / Informed	Consulted / Informed

* Voting and consultation would only apply to the scope areas where the party would be active or impacted

Note: Payment Stream specific strategy would be handled by StratCos

The following recommendations were signed off:

- Strategy work would be done within 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
- Payment stream-specific strategy would be handled by StratCos
- A further level of strategic coordination would be required to collaborate on common overlay and other allied functions (e.g. proxy, QR codes) which needed 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 public and Regulatory objectives published from time to time*

- Specific strategic issues or interests could be pursued within **dedicated (topic-specific) forums or working groups** as required

* Note: The wording "... that aligns with Vision 2025 objectives (the big picture)" was replaced with "... that aligns with public and Regulatory objectives published from time to time". It is key to align the public and Regulatory objectives which may be broader than Vision 2025.

#5: Project Structure

The Structure would be responsible for the following PIB functions:

- 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)
- Providing a platform for getting market participants together to discuss innovations

The following considerations relating to the Project Structures were taken into account when designing the structure and formulating the recommendations:

- Would there be a need for decision-making in project structures? What governance should be in place for project decisions?
- How to balance the interests of all the parties participating in a Project Structure (and would balanced interests be needed if the project charter is clearly defined)?

Participation of Member Types in the Project Structure has been summarised below:

Figure 5.22: Participation of Membership Types in the Project Structure

Description	Project Structures*
SI Clearing Participants	Voting Participant
Operators (PSOs)	Voting Participant
Clearing Participants	Voting Participant
PSPs	Voting Participant (via associations or individually)
OIIPs	Voting Participant (via associations / representation basis, not individually)

* Voting and consultation would only apply to the participants if they have to deliver on a given project.

The following recommendations were signed off:

- All SI Clearing Participants, PSOs, and other Clearing Participants, who have to deliver on a given project, should 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 should be adequate involvement from all those impacted
- Decision-making should be limited to project elements: scope and timing (funding is not within the scope of the PIB)
- Whether the project allowed for some parties to go-live before others, or required 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 artefacts, activities and progress

#6: Consultation Structure

The Structure would be responsible for the following PIB functions:

- These forums exist to ensure consultation with those who would be 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

The following considerations relating to the Consultation Structures were taken into account when designing the structure and formulating the recommendations:

- These forums exist to ensure consultation with those who would be 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

Participation of Member Types in the Consultation Structure has been summarised below:

Figure 5.23: Participation of Member Types in the Consultation Structure

Description	Consultation Structure*
SI Clearing Participants	Informed
Operators (PSOs)	Informed
Clearing Participants	Informed
PSPs	Consulted / Informed
OIIPs	Consulted / Informed
* Consultation would only apply to the scope areas where the party would be active or impacted	

The following recommendations were signed off:

- Consultation structures would be made up of OIIPs (and when applicable PSPs)* who did not have a seat at the decision-making table
- Forums should be chaired by an elected chair from the impacted constituency
- Consultation could 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 should be relayed to the decision-making forum and should include majority and minority views
- The consultation forum should 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 was a DebiCheck rule forum, then there should be a DebiCheck consultation forum)

* As there are some structures where PSPs are consulted as opposed to voting members, this addition has been made as an erratum.

Advisory Committees

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

A few examples of Advisory Committees include:

- Cyber Security Advisory Committee
- Fraud Prevention Advisory Committee
- Cross-Border Payments Advisory Committee
- Legal and Competition Act Committees

The following considerations were taken into account in defining the Advisory Committees:

- 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, the 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

A Decision Point (#C1) for Advisory Committees was framed and signed off as below:

Decision Point: *Should Advisory Committees be part of the PIB structure?*

Option signed off by the Industry: Yes

Rationale for signed-off option:

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.

Alternative options considered by the Industry: No

Participation of Member Types in the Advisory Committee has been mapped below:

5.3.2.6 Board Stakeholder Forums

Board Stakeholder Forums should be created so that the Board can engage directly with various stakeholders who might not be represented sufficiently elsewhere in the PIB Structures. The creation of Board Stakeholder Forums would be at Board discretion.

The following considerations relating to the Board Stakeholder Forums were taken into account when designing the structure and formulating the decision point:

- The Board should have the ability to create Stakeholder Forums to engage with members or non-member stakeholders as needed
- Chaired by a Board Member and at least one other Board Member in attendance, 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 was that a Stakeholder Forum would be required for OIIP, given the recommendations showing limited representation of OIIP on PIB Structures (Board and Participation Structures)

- The Stakeholder Forum could be a key mechanism in the consultation processes, as envisaged in the Design Principles

A Decision Point (#C2) for one or more Board Stakeholder Forums was framed and discussed with the Industry:

Decision Point: *Should the Board be able to create the Board Stakeholder Forums as and when needed?*

Option signed off by the Industry: Yes

Rationale for signed-off option: The Board should have the ability to create Board Stakeholder Forums as and when needed.

Alternative option considered by the Industry: No, there should only be one Stakeholder Forum

5.3.3 The Board

5.3.3.1 PIB Legal Entity

The decision as to what legal type of legal entity should be incorporated to house the PIB was not seen as a core Design Topic, but rather as a technical investigation where the Industry should be guided by experts. The Project Team, therefore, called for volunteers for a legal working group that was established to evaluate considerations pertaining to various legal entity type options. The Project Team also obtained an independent memorandum from Webber Wentzel outlining the legal considerations in choosing a legal entity type.

Figure 5.24: Participation of Member Types in the Advisory Committee

Description	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
OIIPs	May appoint SMEs to participate	Informed
Other representation (Non-member)	Paid experts may be appointed to committee	N/A

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

The Legal Entity Working Group considered information and working examples from various sources in reaching their recommendation to the Industry. The following matters were considered:

- *PASA Model*
- *Australian, Canadian, UK and New Zealand models*
- *Memorandum by Webber Wentzel*
- *Credit Ombud Model and Constitution*
- *The mandate, function and scope and objectives of the PIB*

Based on the analysis above, the Legal Entity Working Group followed a two-staged approach:

- **Phase one:** Consider appropriate entity: Non-profit Company (NPC) or Association (or LLC (Limited Liability Company))
- **Phase two:** To consider exemption from Income Tax Act and transfer of assets (not commenced at the time)

The Working Group concluded on the Phase one recommendations during the PIB Design Phase.

Phase one: NPC or Association

The following advantages and disadvantages were identified in considering whether the PIB should be an NPC or an Association. The Limited Liability Company, while an option that is used by many payment industry bodies in other jurisdictions, was not considered further and therefore not included in the below analysis. A Limited Liability Company is the equivalent of a (Pty) Ltd (i.e. a for-profit company) in South Africa. The model that was broadly supported for the PIB was that of a non-profit organisation, either as an NPC or an Association, which would qualify as a body with similar objectives to PASA for further exemption from income tax, as contemplated in the Income Tax Act and the PASA Constitution.

NPC

Figure 5.25: Advantages and disadvantages for the PIB to be an NPC

Advantages	Disadvantages
<ul style="list-style-type: none"> • <i>NPC provides longer term continued existence and benefits to the members</i> • <i>Credibility, trust due to compliance with Companies Act</i> • <i>More certainty in respect of governance requirements as per the Companies Act</i> • <i>Separate Legal Entity capable of owning its own assets and liabilities and exists separately to its members</i> • <i>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.</i> • <i>Furthermore paragraph four 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</i> 	<ul style="list-style-type: none"> • <i>Onerous registration process</i> • <i>MOI must satisfy requirements of Companies Act (but also positive as governance and compliance)</i> • <i>Strict reporting requirements</i> • <i>Liability of Directors with regards to fiduciary duty</i> • <i>Registration process may be delayed by CIPC</i> • <i>Directors to resign / rotate annually – rotation of Directors of the Board</i> <p><i>[Although a third of Directors have to resign, they may be appointed / elected immediately thereafter in terms of due process by the Board]</i></p>

Association

Figure 5.26: Advantages and disadvantages for the PIB to be an Association

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

Note: "Company Act" was corrected to "Companies Act"

The Working Group concluded on the legal entity type and listed the following considerations and recommendations for Sign-Off. The below uses the term “superscheme” which was a catch-all description to reference an entity which can write rules that supersede the rules of Operators and Schemes as articulated in section 4.4 “Two-Pillar model proposed by the SARB”:

General Considerations

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, 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 the 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 two to consider implications if recognised / not recognised (established under law)
6. The SARB’s proposal to license PIB as a “superscheme”*

* **Note:** Point number six under “Recommendations and considerations” originally included references to the Income Tax Act. These were sufficiently covered in the earlier points and were thus removed from point number six.

Option signed off by the Industry: Establish an NPC

5.3.3.2 Role of the Board and Board Members

As described in section 5.3.2.1 “Defining PIB Committees and Structures”, the Board would be the apex governing body of the PIB. The role of the governing body, in terms of the King IV Report on Corporate Governance, was presented to the Industry Workshop of 8 December 2021, to ensure that all Participants were familiar with the responsibility of the Board and the Board members (Directors) before making decisions about the composition and appointment / election of the Board. The following key points were emphasised in the presentation made by Advocate Annamarie van der Merwe:

- In law, the governing body is regarded as the “controlling mind” of the entity, and has full authority over the affairs of the entity, which authority is only limited by law and the founding documents
- Members of the governing body have a statutory fiduciary duty of good faith, as well as of care, skill and diligence, to the entity to:
 - Only act within their powers
 - Avoid conflicts of interest and only use their powers for the benefit of the entity
 - Retain independence and exercise unfettered discretion in fulfilling their duties

This background informed Participants that irrespective of which community or group elected a given Director, that Director would still, by law, be required to apply their unfettered discretion to the best interests of the PIB itself.

The aim, therefore, in designing the Board and the Board appointment / election processes, was to ensure a **balanced** Board, that had the necessary combination of skills, experience and diversity, to look after the interests of the PIB, its members and the NPS. To that end, Directors would be appointed from different Member Types, but only to ensure the right diversity of experience and viewpoints.

Various elements relating to the Board were considered, including Board Committees, the size and composition of the Board, and the process for electing / appointing Board members.

It should be noted that at the time that the work on the Board and AGM was initiated, the legal entity type of the PIB had not yet been determined. The decision that the PIB should be a Not-For-Profit company was signed off during the consultation on the Board and AGM, and therefore, the requirements of the Companies Act were used to guide finalisation of the Design.

5.3.3.3 Board Composition

5.3.3.3.1 Review of other jurisdictions

As mentioned in section 5.2 “Developing the Decision Framework”, the Project Team considered the composition of the governing bodies of comparable entities in other jurisdictions, as well as the composition of PASA Council:

Figure 5.27: Board Composition in payments bodies in various jurisdictions

Director Type	Payments Canada*	Pay.UK**	AusPayNet***	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%

* Source: CPA Act
 ** Source: Pay.UK official website
 *** AusPayNet Board consists of equal numbers of appointing and electing Non-Executive Directors where appointing Directors are representatives from SIFIs holding minimum market share of 5% and participation in three or more payment systems, while electing Directors are representatives from the rest of the participant members category. Board numbers are thus variable. (Source: AusPayNet constitution)

This led to the articulation of Decision Points relating to Board size, the number of Independent Directors, the number of Executive Directors and whether the SARB, as Principal Regulator, should also be included in the Board Composition. The resulting Decision Points are outlined below:

5.3.3.3.2 Number of Executive Directors

A Decision Point for the number of Executive Directors (#B1) was framed and the following signed-off by the Industry:

Decision Point: *How many Executive Directors should be on the Board?*

Option signed off by the Industry: *Two or three Executive Directors*

Rationale for signed-off option: *Over dependence on a single Executive Director could lead to biased messaging and accountability issues.*

Alternate options considered by the Industry: *One Executive Director*

5.3.3.3.3 Principal Regulator (the SARB) Director

Consideration was given to whether the SARB should also appoint a Director to the PIB Board. Although the original, Decision Point (#B2), as per the below, signed off a Director from the SARB, the subsequent

agreement that the SARB would license and oversee the PIB (see section 4.4 “Two-Pillar model proposed by the SARB”) nullified this decision:

Decision Point*: *Should the Principal Regulator (the SARB) be given a Board seat?*

Option signed off by the Industry: *Yes, one Director from the SARB, non-voting Director (Continue as-is)*

Rationale for signed-off option:** *A Director from the SARB on the Board would ensure the public policy objectives are in line with the NPS. However, the SARB may not be provided the voting power as the SARB can exercise higher powers as regulator.*

Alternate options considered by the Industry:

- No Director from the SARB
- A voting Director from the SARB

* The wording of the Decision Point was corrected from “Should the Principal Regulator (the SARB) be given the Board representation” to the above, which notes that the use of the term “representation” in a Board context is principally and conceptually wrong, as per section 5.3.3.2, “Role of Board and Board Members”

** Similarly, the rationale has been corrected to refer to a “Director from the SARB”, as opposed to a “representative from the SARB”.

5.3.3.3.4 Independent Directors

The following considerations were taken into account when deciding the proportion of Independent Directors on the PIB Board:

- The 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 suggested 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, would be a very workable model

- *Independent Directors are required to bring balance to the different perspectives put forward by stakeholder representatives**

* As per section 5.3.2.6 “Board Stakeholder Forums” the Board may obtain stakeholder perspectives through direct engagement in stakeholder forums

A Decision Point for the proportion of Independent Directors (#B3) was framed and the following signed off by the Industry:

Decision Point: *What percent of the Board should be independent?*

Option signed off by the Industry: *Less than 50%, Independent Chair and Independent Vice Chair*

Rationale for signed-off option*: *While Independent Directors are needed for their uninformed 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.*

Alternate options considered by the Industry: *More than 50% (Majority independent) – Independent Chair and Independent Vice Chair*

* The rationale has been reworded for clarification purposes. The original rationale stated that “stakeholders (members) with material “skin in the game” bring expertise and context to the Board”. This could be misinterpreted to imply that stakeholders have a presence on the Board. The word “Stakeholders (members)” has therefore been replaced with “Directors appointed from member constituencies”.

5.3.3.5 Board size

The following considerations were taken into account when formulating alternatives for the Board size:

- *A smaller Board size could lead to easier decision-making but at the same time it would be less diverse due to reduced members*
- *A larger Board size would give greater opportunity for diversity and a 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 was considered*
- *Best practices (King IV) suggest it is important to have an appropriate mix between independence and industry expertise*
- *As a member organisation, stakeholders should have a material say in the running of the PIB*
- *Quorum: A quorum for a Board meeting should be established at the meeting by sufficient persons representing at least 50% + 1 by number of the Directors entitled to vote*

* As per section 5.3.3.3 “Principal Regulator (the SARB) Director” above, reference to “Representation of SARB” has been corrected to “A SARB appointee”

** As per section 5.3.3.3 “Principal Regulator (the SARB) Director” above, this point was superseded by subsequent events.

Board Size

A Decision Point (#B4) to determine ideal size of Board was framed and signed off by the Industry.

Decision Point: *What should be the ideal size of the Board?*

Option signed off by the Industry: *10-15 Directors*



Rationale for signed-off option: *It was imperative to decide on a Board number that not only ensures effective decision-making but also allows space for a diverse set of skills and experience.*

Alternate options considered by the Industry:

- *fewer than 10 Directors*
- *more than 15 Directors*

5.3.3.6 Board Composition options

A Decision Point (#B5) to determine Board Composition was framed and signed off by the Industry as per the below:

Decision Point: *What should be the Board Composition of the PIB?*

Six Board Composition options were considered. These options are detailed below:

Figure 5.28: Board Composition Option Models

Directors	Option one	Option two	Option three	Option four	Option five	Option six
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 Participant members	2		4	4	3	4
Directors drawn from Clearing Participant members	2			4	2	2
Directors drawn from Operator (PSO) members						
Directors drawn from PSP members	4	3			3	3
Directors drawn from OIIP members						
Total Size	15	12	11	15	15	15

Option signed off by the Industry: Option six

Rationale for signed-off option

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

Note: A correction has been made to the rationale, where originally only Option one was noted as having an appropriate balance of skills and experience. This was updated to note that all the Options considered allowed for a diverse balance of skills and experience.

5.3.3.4 Board Committees

A Board Committee would be a small working group appointed by the Board, consisting of Board Members and others, for the purpose of supporting the Board’s work. Committees would generally be formed to perform expert work and would be defined and structured by the Board itself, as required and in line with best practices.

Considerations applied when considering Board Committees:

- Ensure compliance to local laws and best practice (Companies Act, King IV)
- Committees enable better management of the full Board’s time and allow in-depth scrutiny and focused attention
- Ensure the committee would have a specific charge or set of tasks to address and ensure Board Members understand the same
- Have representation of Board Members within the committee

A few examples of Board Committees include:

- **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:** Responsible for ensuring that benchmarked remuneration arrangements support the strategic goals of the business and more importantly for conducting performance evaluations of every Director

Decision Point (#B6) for Board Committees was framed and signed off by the Industry:

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

Option signed off by the Industry: Yes

Rationale for signed-off option: The PIB Board should be empowered to fulfil its responsibilities, and thus should be given the opportunity to determine Board Committees as and when needed, if minimum compliance requirements are met.

Alternate options considered by the Industry: No, (Board) Committees should be defined upfront as part of the PIB Design.

5.3.3.5 Board Member Appointment and Election Processes

Section 5.3.3.2, “Role of the Board and Board Members” outlines the responsibilities of Board members, as well as their fiduciary duties in law. Careful consideration was, therefore, given to the processes for appointing Independent Directors and electing Directors from the different Member Types. Further, traditional Director appointment and election processes had to be modified for the PIB, which would not have shareholding in the usual sense applied to a company, but which at the same time would be a member-based organisation.

Two different processes were designed, one for the appointment of Independent Directors, and the other for election of Directors from the different PIB Member Types, which would apply to the below, as per section 5.3.3.3.6 “Board Composition Options”:

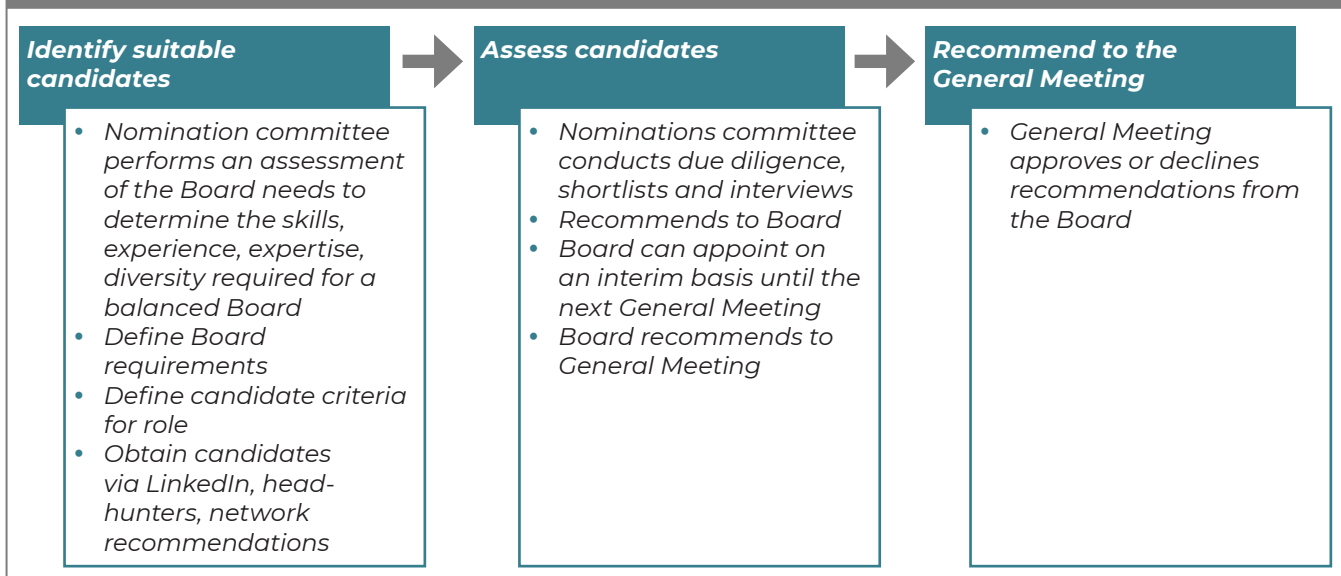
- Directors drawn from SI Clearing Participants
- Directors drawn from Clearing Participants and Operators
- Directors drawn from PSPs and OIIPs

Executive Directors would be appointed through the hiring processes of the PIB.

I. Independent Board Member appointment process

Only a single feasible process was identified for the appointment of Independent Directors. The process depicted in figure 5.29 “Independent Board member appointment process” was signed off by the Industry.

Figure 5.29: Independent Board member appointment process

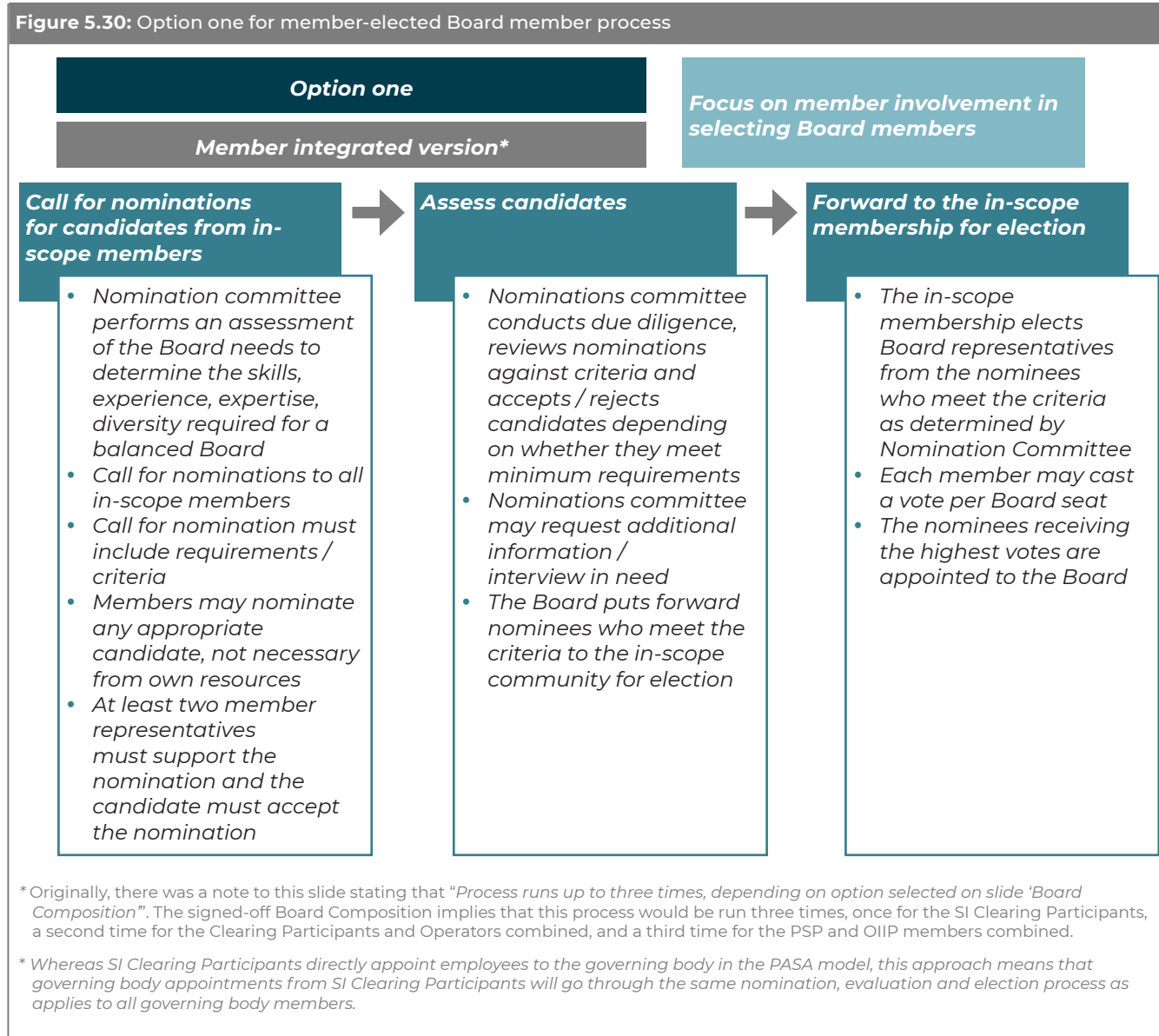


Two different processes were designed, one for the appointment of Independent Directors, and the other for election of Directors from the different PIB Member Types.

II. Member-elected Board Member process

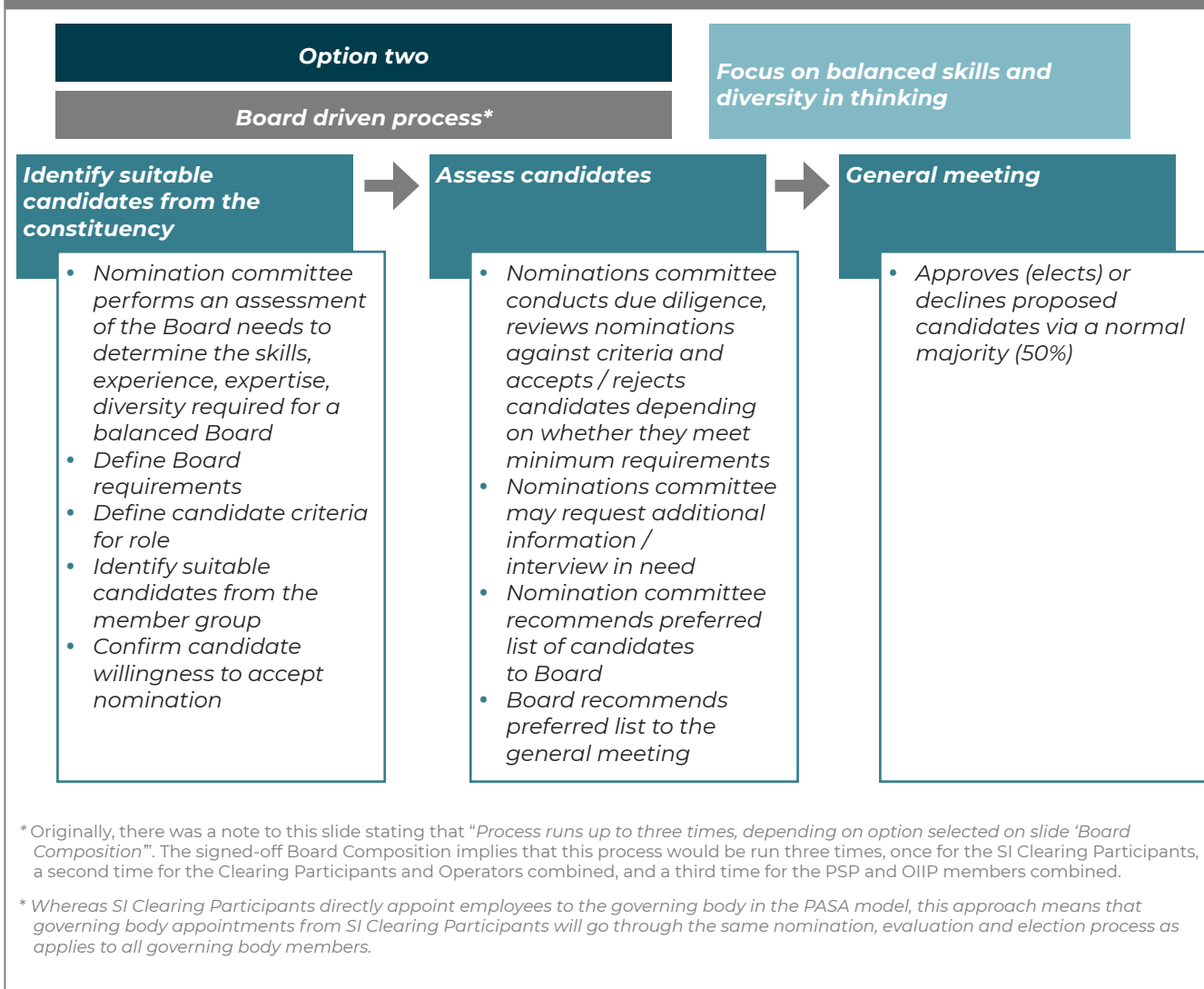
For the Directors elected by the different Member Types, a number of different election processes were considered. Option one is the most member-inclusive process, while Option two is the least member-inclusive process, but the process closest to a traditional Director appointment method. A continuum of options between the extremes of options one and two was also considered as covered in the hybrid model depicted in figure 5.32 “The Hybrid approach between Option one and Option two”.

Option one: Member integrated process (focus on member involvement in selecting Board members)



Option two: Board driven process (focus on balanced skills and diversity in thinking)

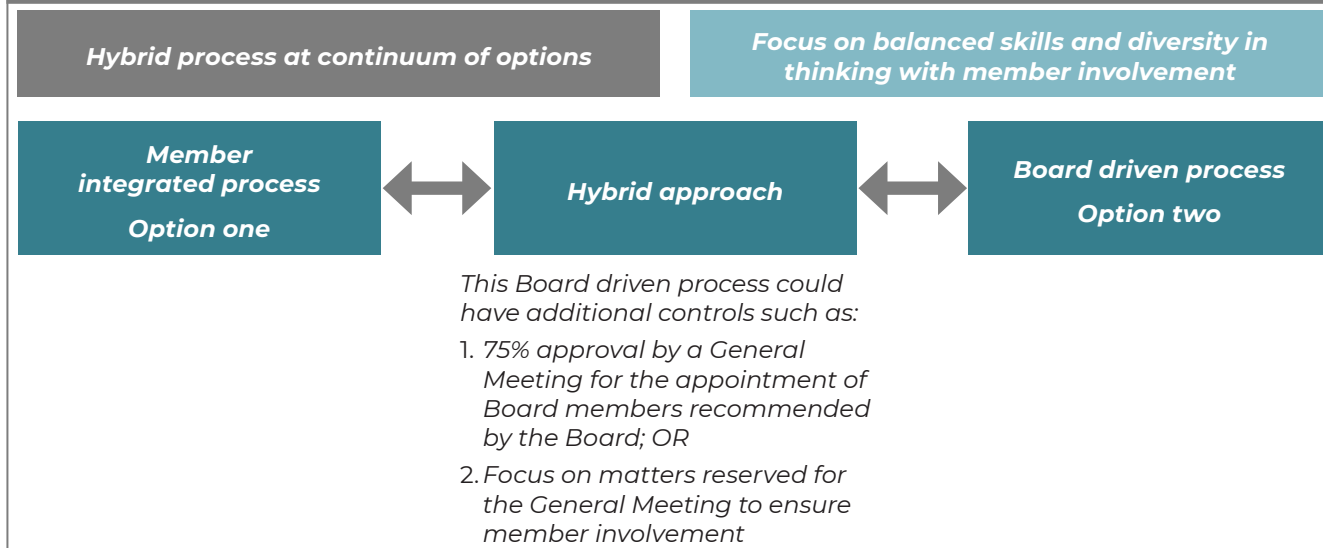
Figure 5.31: Option two for member-elected Board member process



A continuum of options between Option one and Option two

Hybrid processes between Option one and Option two were also considered, to ensure focus on balanced skills and diversity in thinking with member involvement.

Figure 5.32: The Hybrid approach between Option one and Option two



Agreed Option for electing Directors drawn from different Member Types

Option agreed by the Industry: Option One

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

5.3.4 The General Meeting

The signed-off content in this section often refers to the Annual General Meeting (AGM). It should be noted that everything that applies to the AGM equally applies to any other General Meeting of members of the PIB.

By the time this content was finalised, the decision that the PIB should be a not-for-profit company had been signed off, and as per section 5.3.3.1 “PIB Legal Entity”, the Companies Act was therefore used to give guidance to the following content.

5.3.4.1 Decisions taken at the General Meeting

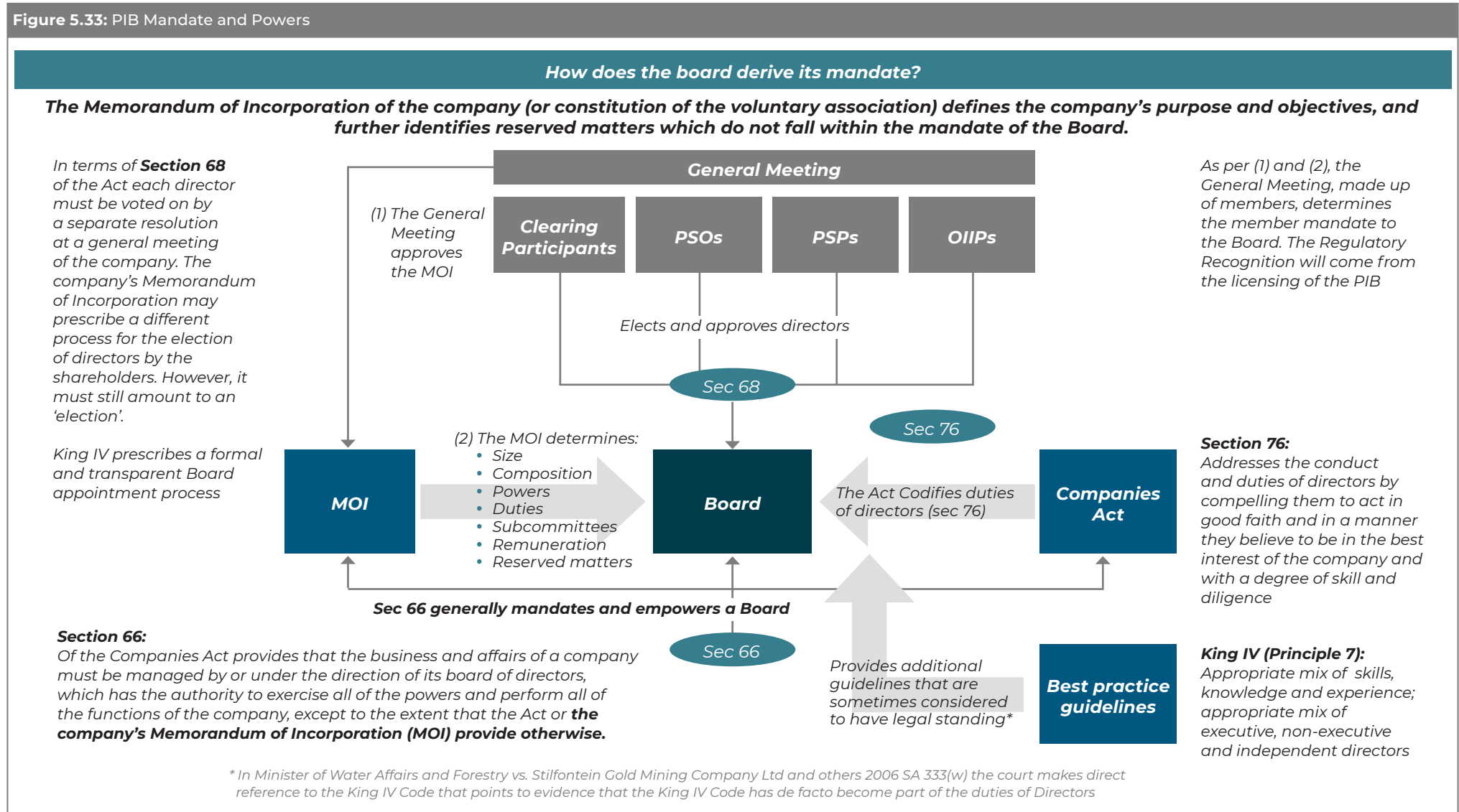
The role of the AGM and AGM Voting was outlined as follows, by explaining that Ordinary and Special Resolutions are approved at the AGM. The Companies Act specifies the minimum standards for approval of resolutions and the distinction between Ordinary and Special Resolutions, but the PIB could impose stricter standards in the Memorandum of Incorporation (MOI), as explained in the below guidance note included in the Membership & Governance Sign-Off pack:

- Approval of Ordinary and Special Resolutions
- The Companies Act sets the minimum standards. The MOI is where the company could impose a more onerous requirement, such as requiring that matters which, in terms of the Companies Act, are normally Ordinary Resolutions 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 consequential amendments being required to the MOI.



5.3.4.2 Board Mandate and Powers

The figure below depicts the basis on which the Board derives its mandate from the General Meeting, via the Memorandum of Incorporation and, for an NPC, as per relevant sections of the Companies Act. It also outlines the responsibilities of the Board:



5.3.4.3 Voting at the General Meeting

As per section 5.1.1, “Topics that required further discussion”, defining a fair process for AGM Voting, that complies with the Companies Act and the Design Principles, was one of the more difficult elements of the PIB Design. The below was finally signed off with the understanding that the MOI could still impose more onerous conditions and that the logistics of running a General Meeting using the agreed approach still needed to be determined. Further, as noted in Section 7.4, “Transition Recommendations”, a requirement was put forward that all parties directly impacted by General Meeting resolutions (per their activities) would also need to approve the resolution. Operational matters of this nature should not be items on the agenda for the General Meeting, nonetheless for completeness this requirement is recorded here.

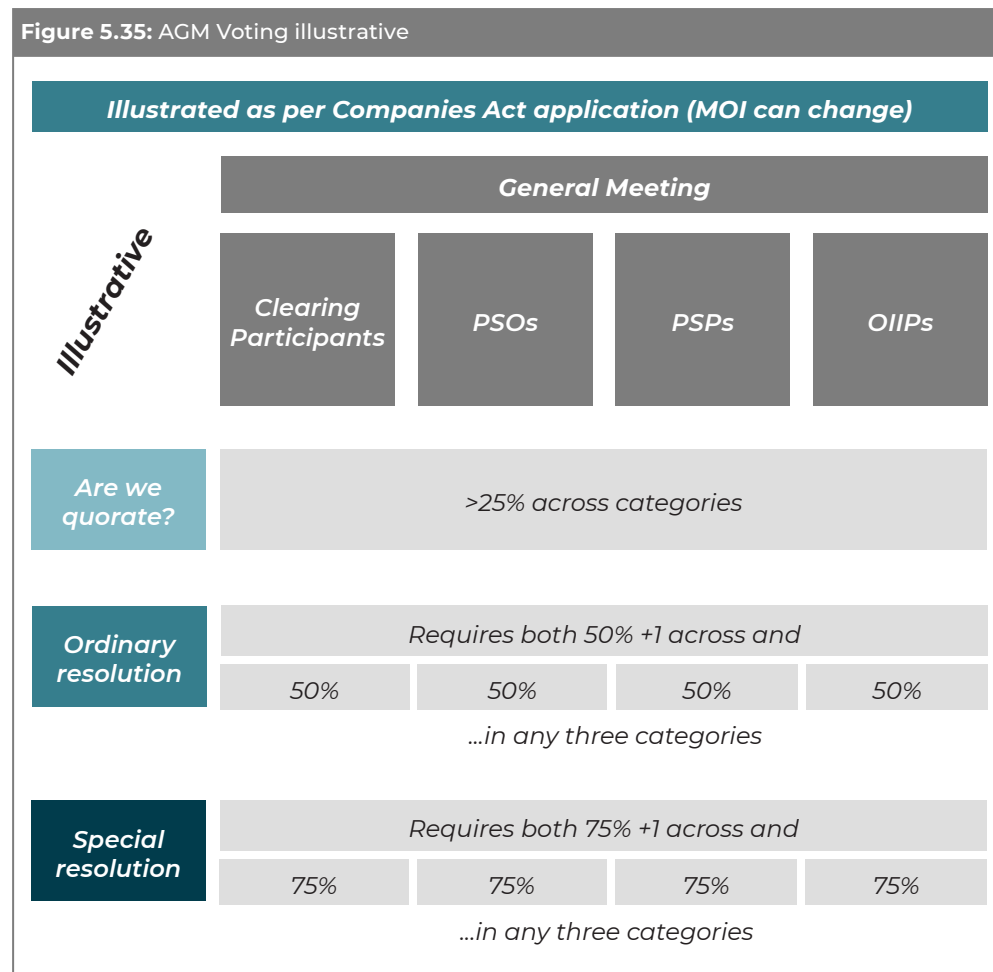
The Design Principles apply and guide AGM Voting, especially **DP 1.6** “The PIB decision-making process must have controls to ensure that a single category cannot dominate the others”

Figure 5.34: Decision Points related to AGM Voting

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 apply as a minimum but the MOI can change these minimum requirements to stricter requirements	The 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 would 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

* “Company Act” was corrected to “Companies Act”

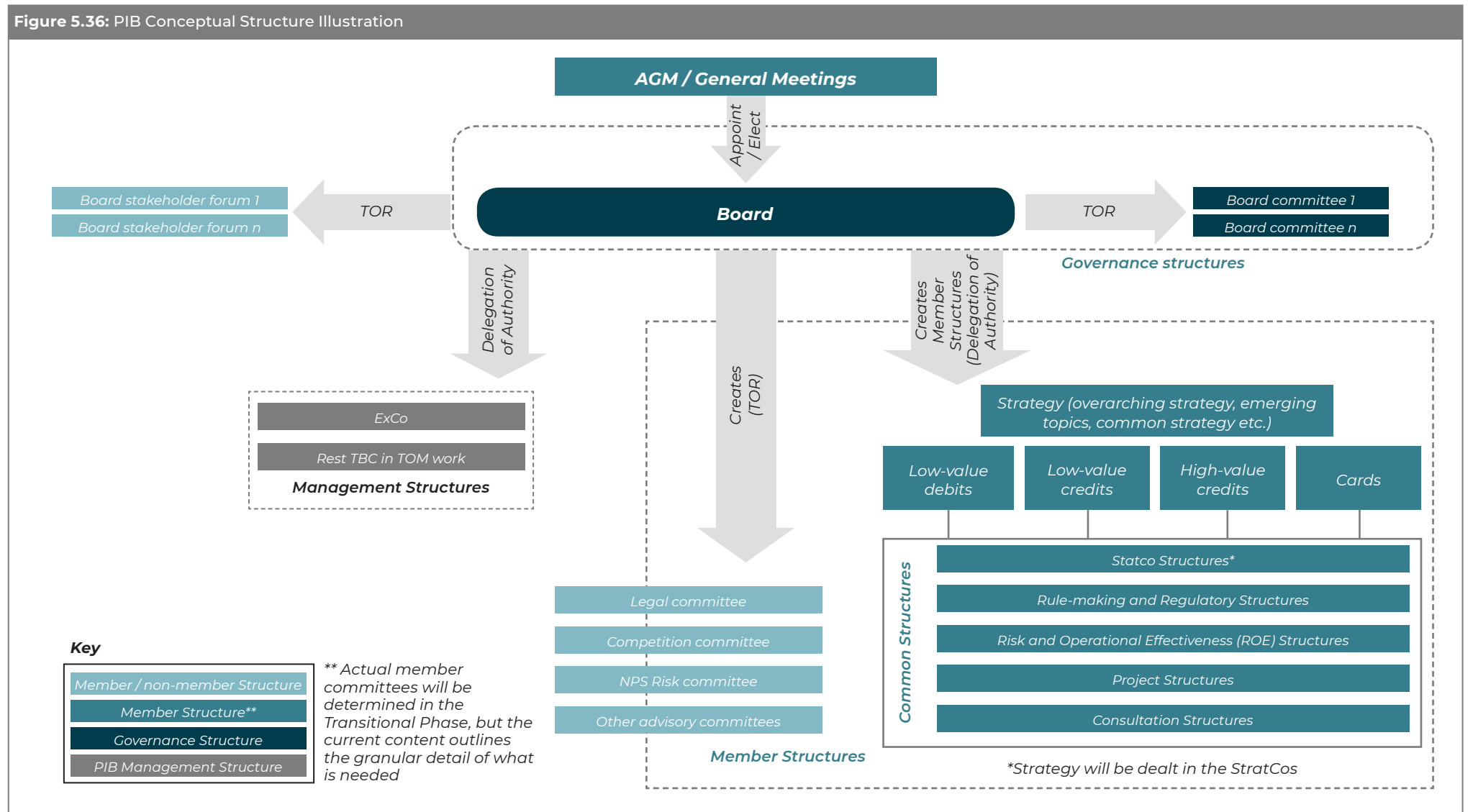
The outcome of the above decisions is illustrated in the figure below:



Note: The proposed approach would have certain logistical complexities. If the logistics could not be solved as part of the transition, then an alternative approach would be proposed to the Industry for Sign-Off.

5.3.5 PIB Conceptual Structure Illustration

The Membership & Governance decisions articulated in this chapter have been combined into a single, illustrative conceptual model, outlining the structure for the PIB.



CHAPTER 6

Funding & other Obligations

“Change will not come if we wait for some other person or some other time. We are the ones we’ve been waiting for. We are the change that we seek.”

President Barack Obama

6. Funding & other Obligations

6.1 Consultation Process and Sign-Off Process

As Funding is a member obligation, it was originally introduced as part of the Membership & Governance topic in the workshop on 8 December 2021 and discussed again in further detail during the January 2022 two-day Industry Workshop.

At the first consultation, it was realised that the programme would not be in a position to present actual Funding costs during the Design Process for various reasons indicated in section 6.3.1, "Preamble". This uncertainty relating to both the costs of the PIB and the number of entities who would share in the costs resulted in a two-stage Sign-Off approach being proposed for funding.

The first stage was completed during the PIB Design programme and signed off the funding principles and indicative costing. The second stage would only be completed in the PIB Transition Phase (see section 7.3 "Remaining items for Sign-Off in the PIB Transition Phases"), where final numbers would be based on the actual budget for the PIB and reasonably accurate member numbers. This budget and resulting member fees would need to be presented to the Industry for Sign-Off.

Even while cognisant of such a staged approach, Sign-Off was not achieved in the first round and the Project Team addressed the concerns through multiple consultations and negotiations with all the relevant parties, who spanned all the cores. These engagements continued from April to July 2022, with the intention of reaching an in principle agreement prior to initiating another Sign-Off cycle. Funding was finally signed off on 16 August 2022. Figure 6.1 "PIB Funding & other Obligations content Design, Consultation and Sign-Off Process" depicts the various Industry Workshops held, engagements with

parties who had material comments and Sign-Off dates.

6.1.1 Topics that required further discussion

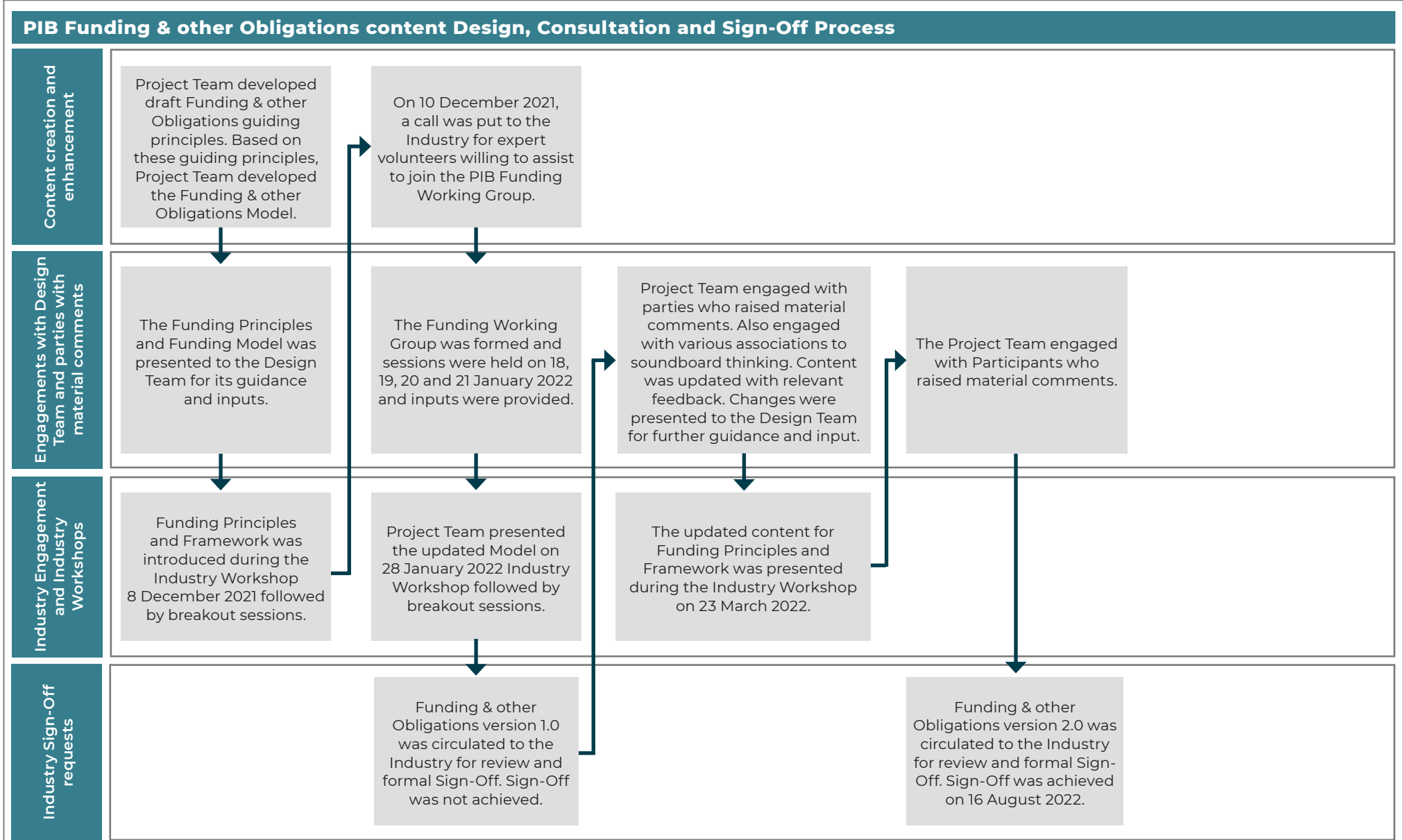
The following topics required additional discussion following the first Sign-Off request on Funding & other Obligations.

- 1. Recovery of fair value of PASA assets:** As part of the transition from PASA to the PIB, PASA assets, in-scope employees, and contracts, would need to be transferred to the new legal entity. Although the PASA balance sheet was not significant, the PIB would require an initial capital contribution to fund the setup of the PIB, to which new entrants would be required to contribute. Assets of PASA would be transferred to the new entity and, having been funded by existing members would reduce the requirement on existing members to contribute initial funding capital to the PIB. This contribution would be seen as a form of seed funding to support the setup of the PIB. The principle created consternation for the PSP and OIIP Membership Categories, both from a financial impact and from a tax perspective. Visibility was created of the possible commercial impact, which allayed many of the concerns, and tax advice was obtained to ensure that the underlying process would be compliant with the terms of the PASA tax exemption and would not jeopardise the ability of the PIB to obtain a similar exemption. This has been detailed in section 6.3.10 "Funding Part B: Indicative Balance Sheet Transfer and Seed Funding Amounts".
- 2. Distinguishing between PSPs for funding purposes:** While the overall funding pool to be allocated to PSPs was articulated, a key discussion point was determining the basis for allocating PIB fees within the PSP funding pool to individual PSP entities. The PSPs are very diverse in terms of size, business model and area of payments served (and hence margin and revenue models). Further, it was unclear how many existing entities would be

licensed as PSPs, and thus be required to take up membership of the PIB and to contribute to the PIB funding. The number of TPPP registered with and SOs authorised by PASA at the time was used as a proxy for modelling purposes, and an average indicative rate was presented (refer section 6.3.8 "Funding Part A Step III: Annual Budget Allocation (indicative numbers)"). Section 6.3.8 "Funding Part A Step III: Annual Budget Allocation (indicative numbers)" also states that the actual funding costs would be related to the size of the PSP entity. Determining a rational, equitable measurement of "size" proved challenging, and ultimately the proposal in section 6.3.6 "PSPs and OIIPs Sizing Definitions" was articulated.

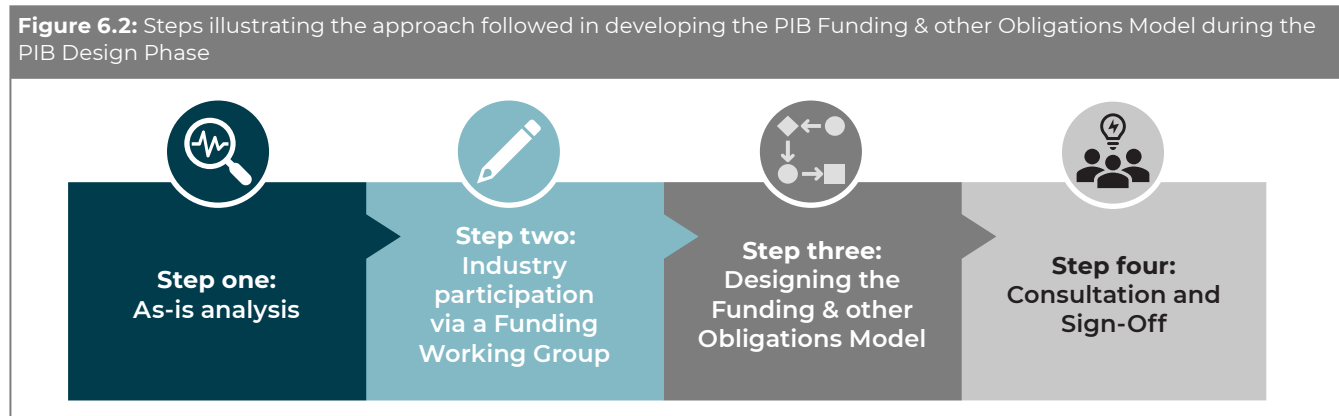
- 3. Indicative OIIP funding:** Two OIIP Membership Types were defined (see section 5.3.1.4, "Other Interested or Impacted Parties (OIIPs)"). While it was felt that the Prime Membership Type could be priced per payment stream, the Basic Membership Type was aligned to organisation size. The basis for the determination of OIIP size was as challenging as the equivalent PSP discussion. Ultimately, the same basis for size determination was used for both (see section 6.3.6, "PSPs and OIIPs Sizing Definitions").
- 4. Strate's participation in the PIB:** At the time that the Working Group was functioning, the draft regulation articulating the activities to be licensed (figure 5.5 "Payments Activities included in first draft of COFI Bill to introduce consequential amendments to the NPS Act") had not yet been released. The possibility that Strate, as an organisation supporting wholesale payments, would not be included in the licensing regime, and therefore, would not be required to be a member of the PIB, was considered. Once the draft regulation was released, and engagements were held with the regulators, it was clarified that all clearing activities, irrespective of whether they support retail or wholesale markets, would be in-scope for licensing and therefore all Operators would be required to be members of the PIB.

Figure 6.1: PIB Funding & other Obligations content Design, Consultation and Sign-Off Process



6.2 Developing the Funding Model

The process used to develop the Funding Model is explained below:



Step one: As-is analysis

As part of the as-is analysis, the Project Team first articulated a set of high-level guidelines to align to the Design Principles for Funding & Other Obligations. The then budgeting and funding processes for PASA, seen as an equitable way of allocating costs across Clearing Participants, were also considered as a source of possible guidance for the model. From the outset, the key consideration was balancing funding and pricing against activity, risk and value added / gains.



Step two: Industry participation via a Funding Working Group

A call for working group participation provided the Industry with an opportunity to contribute to the content development for Funding & other Obligations. Five individuals volunteered and were incorporated into a Working Group which assisted the Project Team in developing the Funding Model. The individuals are:

- Dale Morris
- David Breetzke
- John Elliot
- Megan Brown
- Tremaine Hechter

Their contributions and insights greatly assisted in content structuring and development and we thank them for their efforts.



Step three: Designing the Funding & other Obligations Model

The Working Group, together with the Project Team, focused on areas such as income sources, annual budget allocations and the transfer of PASA assets.

Once the likely income sources were established, the first challenge in building a viable model was to determine the recommended basis for the proportional funding split between the PIB Membership Categories. This was done by building various scenarios to ascertain acceptable fee rates relative to those paid by PASA members at the time, and used the PASA expenses as an indicative budget.

Another consideration was to ensure that the proposed Funding Model could be operationally implemented. Given the range of different PSP business models, the definition of a transaction could differ from entity to entity, and banks would be required to submit and validate PSP volumes that were to be used as the basis for cost allocation. PSP member numbers at the time were conservatively estimated to be between 250 and 350, and therefore the operational challenges this approach would create for the PIB were seen to be insurmountable.

The combined team also had to consider the nature of the assets on the PASA balance sheet that would need to be transferred to the PIB, and how the PIB members who had not previously contributed to PASA would contribute their seed funding portion. Tax advice was obtained from Webber Wentzel to ensure that the seed funding proposal would not jeopardise the tax exemptions of PASA or, in future, the PIB.

The Project Team ultimately decided on a Funding Model which was premised on the following:

- Pricing for risk
- Pricing for effort
- Pricing for value added / gains

These considerations are further articulated in section 6.3.2 “Shared Public Good Utilities” below.



Step four: Consultation and Sign-Off

The Funding Model was introduced in the 27 / 28 January 2022 Industry Workshop, where breakout sessions were held to consider the content in further detail. This was refined and discussed over multiple workshops, breakout sessions, and individual engagements with entities and associations. The Consultation and Sign-Off details are articulated in section 6.1 “Consultation and Sign-Off Process”.

6.3 Signed-off Funding & other Obligations

6.3.1 Preamble

At the time of the PIB Design, Participants were informed that there were large areas of uncertainty in the indicative approaches and numbers presented in the funding section. These included:

- The Target Operating Model and Day One function of the PIB were still to be determined and costed, so the amount to be funded was yet to be determined
- The number of licensed PSP members was unknown and was based on the number of then current PASA-authorized SOs and registered TPPPs. This was further complicated by the lack of clarity on whether the new licensing regime would be in place when the PIB was created
- The number of OIIPs was 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

The Participants therefore agreed on a two-stage funding process, where the first Sign-Off was principle-based and, at the appropriate time, Sign-Off would be sought on the actual funding requirements. Participant Sign-Off of the Funding modules was limited to:

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

6.3.2 Shared Public Good Utilities

Participants were reminded of the nature of the NPS and why it was necessary to find a fair and equitable means of funding the PIB:

The NPS 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.

6.3.3 Funding Guidelines

The following funding guidelines were signed off:

- I. Board should approve the annual budget for the PIB. Member engagement and the role of the AGM, in testing the acceptability of the budget with the members would be considered. A two-step process would be followed. Step one – Expert Working Group to agree guidelines, determine actual Funding Model formulas, and validate reasonability using indicative figures. Step two – The community would be re-engaged once the actual PIB budget had been determined as part of the transition.
- II. The budget should be funded by allocating the combined costs across (1) Direct Clearing Participants: SI and other Clearing Participants; (2) PSOs; (3) PSPs and (4) OIIPs.

- 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 and 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 would be based on revenue following guidelines from "SCHEDULE 1: The new National Small Enterprise Act*" thresholds for defining enterprise size classes by sector, using two 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.
- VI. OIIPs should only pay minimal / fair amount (fixed fee) considering their limited involvement in the PIB structures and should vary depending upon their opted membership type (Basic / Prime).
- VII. Members who have not historically contributed to PASA's assets would need to commit to pay fair and equitable value share of PASA's assets that would be transferred to the PIB. It should be in the proportion of their annual funding. This fair value recovery may take place over a number of years.
- VIII. The PIB should be entitled to levy separate charges for various services including but not limited to events, conferences, training and Management Information Systems (MIS)

provision. This should be applicable for both members and non-members.

- IX.** The PIB should be entitled to levy a one-time admittance fee to its members.
- X.** The Funding Model should be simple and transparent: Funding Model should be simple and easy to communicate. Funding inputs and data should 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 would have a corresponding reduction in the PIB annual budget funding requirements.

* South African Government Gazette, "Revised Schedule 1 of the National Definition of Small Enterprise in South Africa", https://www.gov.za/sites/default/files/gcis_document/201903/423041gon399.pdf

** South African Government Gazette, "Competition Act 89 of 1998", <https://www.gov.za/documents/competition-act>



6.3.4 Total PIB funding / income sources

The funding sources were signed off as below:

The total Member Obligation would be the sum of the following:

- **Part A: Annual budget allocation – Applicable for all members:** Members should pay an annual subscription to the PIB, calculated to allocate the annual budget

plus
- **Part B: Carry forward for PASA (going forward PIB) assets – Applicable for members not previously part of PASA:** Commitment to paying of fair value share of assets of PASA that would be transferred to the PIB

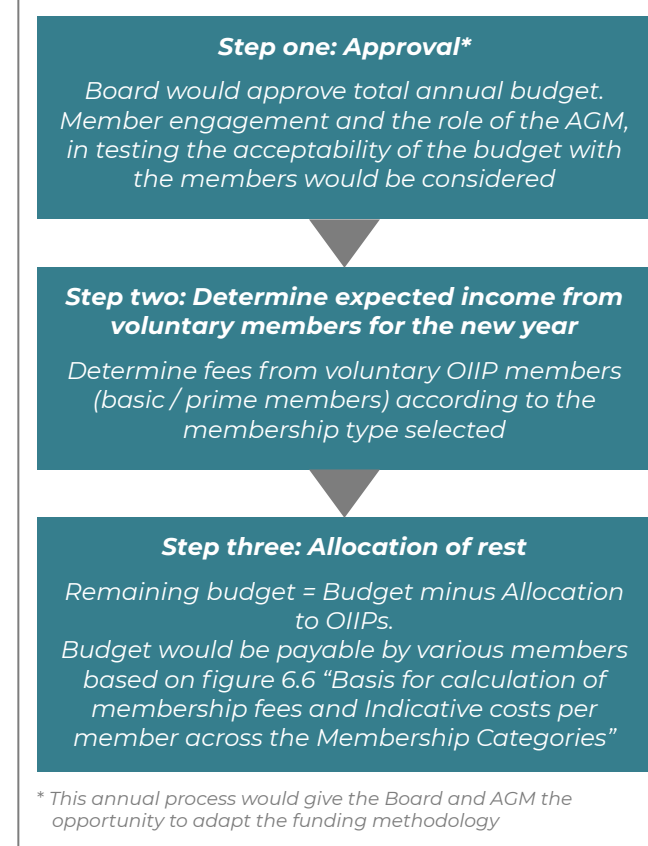
plus
- **Part C: Any other additional charges levied from time to time:** In addition to annual budget allocation and carry forward for PASA assets commitment, the PIB should be entitled to levy separate charges for:
 - Training (for members and other third parties)
 - Conferences, seminars, etc. (for members and other third parties)
 - Access to management information

6.3.5 Funding Part A: Annual Budget Allocation Steps

The steps to determine the annual funding allocations (called Part A in section 6.3.4 "Total PIB funding / income sources") were signed off as:

The PIB annual budget allocation would be determined through three conceptual steps:

Figure 6.3: The three conceptual steps to be followed to determine the PIB's annual budget allocation



6.3.6 PSPs and OIIPs Sizing Definitions

With reference to funding guideline V in section 6.3.3 "Funding Guidelines", a methodology to determine affordability according to the size of the organisation had to be found. Size moderation was based on guideline from Schedule 1 of the new National Small Enterprise Act using thresholds for determining size classes for the finance and business services sectors.

PSPs and OIIPs Funding moderation would be based on the organisation being deemed Large, Medium, Small or Micro following the below preliminary guidelines:

Figure 6.4: The PSPs and OIIPs organisational sizing definitions

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 two proxies for Finance and Business Services.

Source: Government Gazette, 15 March 2019. No 399 available online on https://www.gov.za/sites/default/files/gcis_document/201903/423041gon399.pdf.

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

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

Note: A survey would be conducted to assess the spread of PSPs over the above sizing categories. This would be used to calibrate to the actual PSP Funding Models for the first year, and would be reviewed on an annual basis thereafter.

6.3.7 Funding Part A Step II: Indicative Funding from OIIPs

There would be two Membership Types for OIIPs. These types of membership would be available to associations or individual voluntary members:

- **Basic Membership** would be for information benefits only
- **Prime Membership** would be for information and consultation benefits, per payment stream

Figure 6.5: Indicative Funding from OIIPs for Basic and Prime Membership

Organisation Size*	Basic Membership**	Prime Membership
Micro	R1,500 – R2,500	Fixed pricing of R50,000 – R100,000 per area of involvement / additional payment stream***
Small	R3,500 – R5,000	
Medium	R5,500 – R8,000	
Large	R8,500 – R12,000	

* Refer to section 6.3.6 “PSPs and OIIPs Sizing Definitions” for definitions. This would be calibrated to the actual numbers.

** Fees would 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 would be required by law and / or best practice on stakeholder engagements the PIB would consult accordingly, irrespective of membership status.



6.3.8 Funding Part A Step III: Annual Budget Allocation (indicative numbers)

Participants were reminded that *Pricing for Risk*, *Pricing for Effort* and *Pricing for value added / gains* were the pricing determinants used when structuring the below figure. The figure details the basis for membership fee calculations and then provides indicative fees using the PASA budget at the time of the PIB Design:

Figure 6.6: Basis for calculation of membership fees and Indicative costs per member across the Membership Categories

Membership Categories	Mechanism for arriving at the fee	# Members (forecast)	Average per participant computed (based on 2022 Budget as PIB day zero budget is not yet available)*	Current average per participant pre-PIB	% Participation / Market share (calculated***)
SI 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 and clearing values (50:50)	5	R11.4M	R12.6M (range R8M – R15M) Low volume vs. high volume	50
Other Clearing Participants		27	R1.8M	R2.0M (range R1.2M – R4.5M)	30
Operators (PSOs)	Based on a fixed and variable component built on market share of total throughput (across all PSOs managed payment systems). Market share calculated for clearing volumes and clearing values (50:50)	4**	R3.2M	Nil – no membership subscription paid as they are currently not members	10
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 section 6.3.7 “Funding Part A Step II: Indicative Funding from OIIPs”	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 was calculated based on providing some relief for existing PASA members and suggesting reasonable fees for new PIB members.

**** It was originally indicated that Strate clears derivatives as well. This is not the case; derivatives are cleared by JSE Clear.

6.3.9 Funding Part B: Fair value share allocation of PASA assets

The principle of seed funding for the PIB from members who had not contributed to the PASA balance sheet was first presented in the below format. The principle was signed off once the indicative costs were calculated and shared as per section 6.3.10 "Funding Part B: Indicative Balance Sheet Transfer and Seed Funding Amounts".

The following considerations were taken into account for deciding recovery of fair value of PASA assets:

- Assets from PASA to move across to the PIB
- Members who had not historically contributed to those assets would 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

Decision Point #F1: How should the value of PASA assets be recovered in the PIB?

Option signed off by the Industry: Contribution by members not previously part of PASA in proportion to their funding

Figure 6.7: Member Categories who would contribute to PIB seed funding

Member Categories	Liable to contribute for assets
SI Clearing Participants	No
Operators (PSOs)	Yes
Clearing Participants	No
PSPs	Yes
OIIPs	Yes

Rationale for signed-off option: It was crucial for members who had not historically contributed to the

creation of PASA's assets to contribute in proportion of their funding obligations

Alternate options considered by the Industry: Members not previously part of PASA should pay equal contribution

6.3.10 Funding Part B: Indicative Balance Sheet Transfer and Seed Funding Amounts

At the time of the PIB Design, the estimated balance sheet that would be transferred from PASA to the PIB ranged between R20 million and R30 million.

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

Figure 6.8: Indicative Balance Sheet Transfer and Seed Funding

	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 one*	~R15,000	~R24,000
Average annual recoupment over five years, should participant elect 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 five years and enjoy full membership rights.
3. Make no payment towards the balance sheet and forgo membership rights (annual subscription fees would still apply) until the full recoupment has been paid through membership fees.

Notes:

Contributions would apply to all types of new members who joined the PIB, including OIIPs, PSOs and PSPs.

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

** New members who joined after year one would need to contribute proportionally for the remaining years (e.g. if joining in year two, 80% would be payable). The balance sheet would be deemed to be fully paid after five years.

6.3.11 Other Obligations

The following obligations were signed off for all Member Types:

- **Reporting Obligations:** Provide information in the format requested within the required time interval
- **Commitment of resources:** Commitment of adequately skilled and mandated representatives into structures where they participate
- **Compliance Obligations:** Obligation to meet the requirements of rules as set by the PIB

CHAPTER 7

Design Conclusion & Transition Planning

“Coming together is a beginning;
keeping together is progress;
working together is success.”

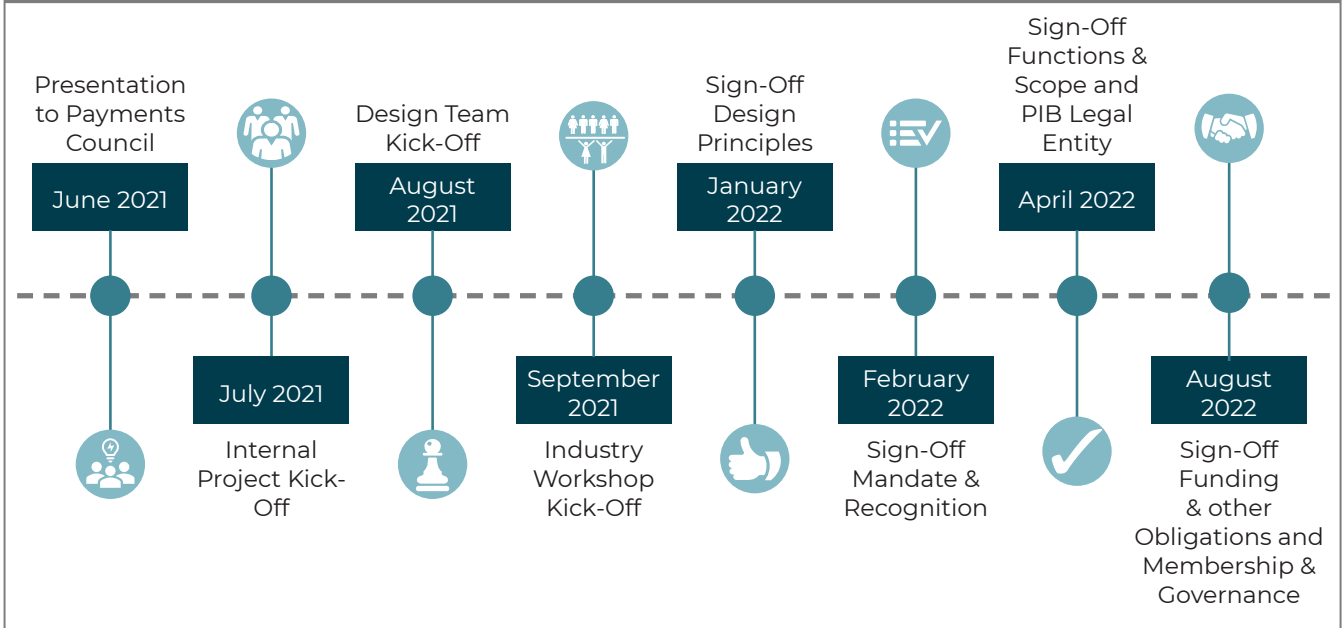
Edward Everett Hale

7. Design Conclusion and Transition Planning

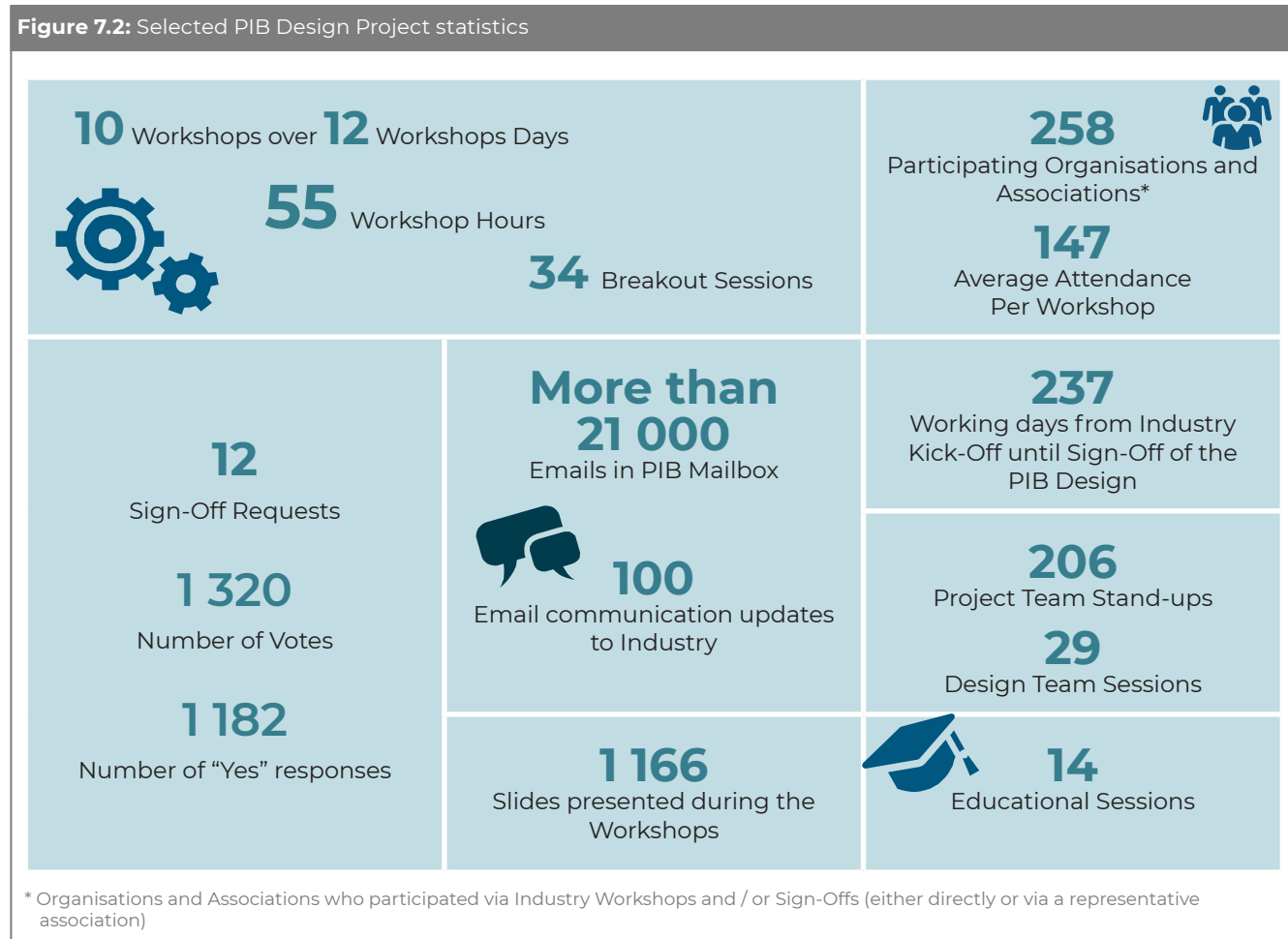
7.1 Project Milestones

The PIB Design Project was formally initiated during the first Industry Workshop on 7 September 2021, and just less than a year later the Design was finally signed off by the Industry on 16 August 2022. Figure 7.1 “Key dates on the critical path of the PIB Design Project” depicts the critical milestones, starting with the initial SARB presentation to the Payments Council in June 2021.

Figure 7.1: Key dates on the critical path of the PIB Design Project



Below are some key statistics highlighting the effort involved:



7.2 Next Steps

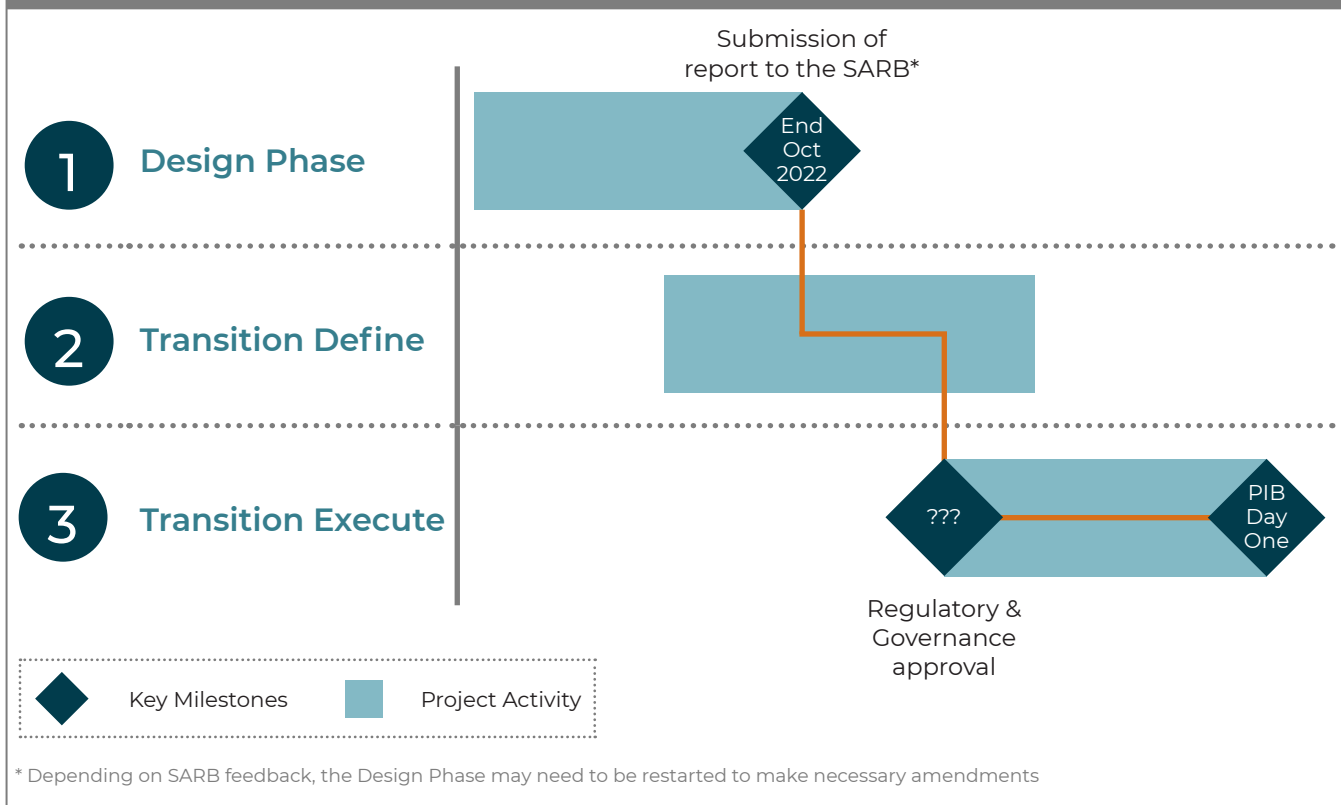
With the submission of this report to the SARB, the Design Phase is seen as completed, barring the items listed in section 7.3 “Remaining items for Sign-Off in the PIB Transition Phases”. The subsequent phases of the PIB project are envisaged as firstly to Define a Transition Plan (Transition Define Phase) and secondly to Implement the Transition (Transition Execute Phase). Figure 7.3 refers:

A number of milestones have to be met before the Transition Execute Phase can start. These include:

- SARB confirmation that it has no objections to the Design in this report and that the Design meets the SARB Principles articulated in section 1.2 “Background”
- Governance Sign-Off of the Transition Define plan by PASA Council
- SARB confirmation of no objection to the Transition Define plan
- The agreement and establishment of appropriate Transition governance structures
- As per the context outlined in section 1.3.1 “Key Considerations for the implementation of the PIB”, the PIB Design takes account of proposed regulatory changes. However, the timing of these changes remains unclear, leading to some uncertainty around the sequence of the PIB Execution. The Transition Define Phase therefore needs to accommodate two scenarios:
 - Scenario one: The COFI Bill and consequential amendments to the NPS Act come into law roughly at the same time or before the PIB is established
 - Scenario two: The PIB is established before the COFI Bill and consequential amendments come into law

The planning for these two scenarios would need to be done in close collaboration with the SARB, given the interdependencies between the PIB and the changing regulation. It should also be noted that, as recorded in section 1.3.1.2 “Rules”, the migration of the Settlement Rules to the SARB will remain a separate project.

Figure 7.3: Conceptual overview of the PIB Design, Transition and Transition Execute Phases



7.3 Remaining items for Sign-Off in the PIB Transition Phases

The Transition Define and Transition Execute Phases are seen as operationalising the Design which is recorded in this report. Nonetheless, there were some Design-related components that will require further Consultation and Sign-Off during the Transition Phases. These specifically include:

- The second phase of Funding which incorporates the starting budget for the PIB and the actual membership fee allocations (see section 6.3.1 “Preamble”)
- The final member participation committees (see the note to figure 5.9 “Proposed PIB Committees” in section 5.3.2.1 “Defining PIB Committees and Structures”)
- The actual PIB Functions & Scope that will be delivered at the start of PIB operations, as some elements of the Design will take longer to implement
- Any changes to the PIB Design as documented in this report which may be identified during the Transition Define and Implementation.

The above commitments were made to the Industry with the understanding that the PASA team would be empowered to plan the Transition.

7.4 Transition recommendations

The Project Team has tracked various Transition recommendations received during the Design Phase. These recommendations will be considered during the Transition Design. The recommendations listed below retain the original wording in which they were received as far as possible:

- Some associations are still uncertain of their role and the manner in which they will participate and represent their members once the PIB comes into existence. It was proposed that individual workshops be held with such associations during the Transition Phase

- The PIB should create an appeals process where members can provide feedback on the quality of administration and secretarial support to enable early intervention or adjustments through a feedback mechanism
- PIB members should be provided structure and guidance on what is intended by “national policy goals” and who is empowered to determine what is the “greater good” of the NPS. To this end, the MOI should direct the board on areas of conflict or priority and how they should be addressed
- The PIB should draw more on members for topic, content and expectations of the Industry when planning conferencing and events
- When the PIB works on thought leadership topics and develops white papers, it should draw on expertise across its entire member base for content development to help the industry evolve and grow collaboratively
- A universal definition from both FSCA and NPSD of systemically important payments participants is required
- Clarity is required on the role of the SARB in respect of rules, involvement in operational matters and role in disputes
- Any resolution passed at the AGM will also need the approval of the directly impacted member categories
- The retention and redeployment of existing skills and capacity should be a priority to avoid loss of skills
- The Transition Phase brings change risk and should be managed as a change programme
- In the interest of efficiency, the PIB membership administration processes should be automated
- Participation of PSPs and association representatives needs to be incorporated into the transitional structure

7.5 Other consequential benefits

Although mostly unplanned, the Design Team has noted a number of benefits to the Industry which extend beyond the completion of the PIB Design. These include:

- **Education on the management of payment systems**

The need for education on the functioning of the typical payment industry body has been articulated in section 1.9 “Workshop Delays and Changes to Programme Cadence”. A number of parties who had very limited previous engagement with PASA, or any other equivalent entity, now have a good working knowledge on the need for the interoperable middle mile, how interoperability is maintained and how the risks associated with interoperability are managed.

- **The development of a common language and frameworks**

In order to engage meaningfully in the complex and detailed content outlined in this report, the Industry first had to develop a common understanding of terms such as “clearing” and “scheme”, and familiarise themselves with the conceptual and regulatory frameworks underpinning the NPS. It is expected that this common understanding will greatly assist the PIB in building effective operating structures and in meaningfully including and consulting the very diverse group of stakeholders.

- **Starting to build the culture required for effective functioning of the PIB**

Various experiences during the Design Process reinforced the view of the Project Team that culture remains a key success factor in the ability to collectively Design, Implement and operate an inclusive PIB.

One of the defining moments was an unplanned Industry Workshop discussion on the PASA process

of developing a South African QR code standard, which was the first PASA initiative that included all stakeholders (including non-PASA members) from inception. The rather painful lessons learned in incorporating a wider group of stakeholders into an interoperability project, served as a basis to initiate thinking on how the PIB would navigate similar challenges.

As per figure 1.11 “Guest speakers who assisted in the process” in section 1.9 “Workshop Delays and Changes to Programme Cadence”, best practice in aligning the interests of the system with those of Participants were covered in presentations from Leo Lipis, Prof. Herman Singh and Deputy Governor Kuben Naidoo. The necessity of a collaborative and co-operative culture in the building and maintenance of the public good utility, that enables both economic activity and vigorous competition, was discussed through case studies, sharing of best practice and the setting of context and expectations.

The Project Team is of the view that the Sign-Off of the PIB Design, most specifically the willingness to fund the PIB, demonstrates that good progress has been made in establishing the cooperation and collaboration required to underpin the culture of the PIB.

The Project Team acknowledged that while most Participants would have experience of personal and organisational change, the opportunity to change an industry is far rarer, and the scale of the PIB change would be significant. Prof. Herman Singh presented on industry-wide culture and change, to start familiarising Participants with the journey ahead. The Project Team feels, however, that considerably more change management will be required as part of the PIB Transition and build.

• **Reinforcing the role of Associations**

While the PIB Design Process can in no way take credit for the recent establishment of the FinTech Association of South Africa (FINASA), the need for such a body was raised at the Kick-Off Workshop of 7 September 2021, a discussion that galvanised one of the FINASA founders into action.

Beyond articulating the need for newer industries to mobilise into more organised and influential bodies, the PIB process demonstrated the importance of trade associations in coordinating their members. Given the number of diverse sectors and businesses represented in the Industry, trade associations played a critical role in aligning the viewpoints of their members during the Consultation process. This role is expected to continue in the operating of the PIB. The Project Team expresses its sincere gratitude to the associations (which are listed under Industry Participants in section 7.8 “Acknowledgements”) for their valuable contribution to the process.

7.6 Adherence to the SARB guiding principles for creating the PIB

It is prudent to recall the guiding principles, as directed by the SARB, which guide the very creation of the PIB (see section 1.2 “Background”):

7.6.1 Pursuit of interoperable systems

- The PIB is expected to ensure interoperable payment systems through cascading Design elements, starting with the Regulatory Recognition, and operationalised through the Functions.
- The Regulatory Recognition proposed (refer section 4.4 “Two-Pillar model proposed by the SARB”), firstly mandates that all licensed providers of payment services are members of the PIB,

which implies that they are required to adhere to PIB rules. It then provides the PIB with the ability to supersede Scheme and Operator rules so that common South African transaction types, message standards, payment initiation mechanism standards and authentication standards can be enforced across different Schemes and Operators. Technical interoperability is thus achieved.

- The mandate and ability of the PIB through recognition in law to implement and enforce consistency across subservient rules (refer section 4.4 “Two-Pillar mode proposed by the SARB”) creates legal interoperability.
- Process interoperability is entrenched through the oversight function that the PIB is envisaged to fulfil, in risk- (refer section 3.5.2.3 “F 1.3 Risk Management”), performance- (refer section 3.5.3.1 “F 2.1 System Operator”), incident- (refer section 3.5.3.2 “F 2.2 Operational Support”) and compliance- (refer section 3.5.2.4 “F 1.4 Compliance Management”) management, once again spanning Operators.
- Finally, PIB involvement in cross-Operator project implementation will ensure that interoperability is maintained when changes are made to payment systems (refer section 3.5.5 “F 4. Project Management”).

7.6.2 Collaboration and cooperation

- The successful completion of the PIB Design Process demonstrates that the Participants can collaborate and cooperate to achieve outcomes that are both in their own interests and that of the national good.
- The PIB Member structures signed off in the Design Process, as articulated in section 5.3.2 “PIB Committees and Structures”, comprehensively outline how Participants will be expected to collaborate and cooperate in a transparent and inclusive manner.

7.6.3 Representative and inclusive industry structures

- Although the extent of representivity and inclusiveness has been a source of much debate in the Design Process, the Membership Categories of the PIB extend beyond the providers of payment systems to the users as well.
- The objectives of the different PIB Participation Structures have been used demonstrably to determine participation therein. Where direct participation has not been indicated for a Membership Category, transparency and consultation are mandated.
- Transparency and consultation are foundational elements of the PIB Design, articulated in the Design Principles and built into the decision-making processes as outlined in figure 5.14 “PIB Participation Structure decision-making process” of section 5.3.2.5 “Participation Structures”.

7.6.4 Pursuit of the broader goals of the NPS

The dual PIB objectives of supporting, firstly, policy goals of the NPS and, secondly, member interests, have been articulated in both the Design Principles (particularly those listed below) and in chapter 4, “Mandate & Recognition”

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 2.5: *The PIB mandate must authorise it to act in the interest of the greater good of the NPS (e.g. capacity building, consumer education).*



7.7 Concluding remarks from the Project Team

7.7.1 Adherence to Design Principles

Although the application and interpretation of the Design Principles have occasionally been contentious, the Principles themselves have proven to be robust and comprehensive. The Project Team is of the view that compliance with the Design Principles has been achieved in all material respects, and that they will continue to be of relevance throughout the Transition Planning and Implementation processes.

It should be noted that once the PIB is operational, its founding documents, values and Code of Conduct will replace the Design Principles in the further evolution and improvement of the PIB. The Design Principles state that *“The PIB must have the ability to adapt itself to remain relevant and to improve on decisions made in the PIB Design Process”*. The Project Team is therefore confident that the necessary governance structures have been designed to enable and support this ongoing evolution.

7.7.2 Inclusivity of the Design Process

The Project Team is of the view that the continued high levels of Participant involvement, through attendance of Industry Workshops and participation in Sign-Off processes, demonstrate the importance attributed by Participants to the Design and ultimate implementation of the PIB. This was evident early on in the journey where, following the first Industry Workshop and stabilisation of the core group of Participants, the drop-off rate was remarkably low given the complexity of the material and the lengthy duration of the Design Process. This is demonstrated in Annexure C, “Industry Workshop Attendance numbers and Participants”. The levels of participation vary significantly across the Cores, with Inner Core and Outer Core participation rates averaging above 65% of the known community. The

Middle Core was made up of a particularly large (over 170 entities) and diverse grouping, who had not participated in this type of formal, coordinated industry activity before. The Project Team is therefore of the view that the Middle Core participation rate, averaging over 25%, is sufficiently representative of this community. The inclusivity of the process is in the opinion of the Project Team a major contributor to trust, achieving consensus and the eventual Sign-Off of the PIB Design.

7.7.3 Achievement of Industry Consensus

The Project Team is satisfied that a sufficient level of consensus, as evidenced by the Sign-Off statistics in Annexure B “Sign-Off Results”, has been achieved. In addition, the Project Team is of the opinion that even in the single area on which dissent remained, relating to OIIPs, the actual differences are limited to only two considerations:

- The voting rights of OIIPs in project structures.
- The process for confirming OIIP legitimacy for consultation purposes.

Given the number of decision points in the Design Process, the Project Team notes that this dissent represents less than a one percent divergence and is thus confident that this report presents a Design that enjoys the majority support of the of the Participant community.

Given the number of decision points in the Design Process, the Project Team notes that this dissent represents less than a one percent divergence and is thus confident that this report presents a Design that enjoys the majority support of the Participant community.

7.8 Acknowledgments

PASA wishes to thank the SARB for their continued guidance and leadership to ensure that the payments industry transitions to a more inclusive and collaborative community whilst protecting the NPS.

PASA also wishes to thank and acknowledge all the Industry Participants who have actively engaged and supported us on the journey. Your continued contribution and dedication made a representative and inclusive design possible.

We would also like to thank the various programme structures for their commitment and execution throughout the project. We appreciate your active involvement, agile and flexible way of working. Your continued dedication, focus and professional service has been a cornerstone of the success of the project:

- Design Team
- Guest Speakers
- Project Working Group Team Members (Legal, Funding and Membership & Governance Workstreams)
- PASA Council
- FCSA
- PASA Team Members
- PwC (Programme Partner)
- At That Point (Communication Partner)

Industry Participants: Individuals			
Aart Jurriaanse	Aasiya Jamal	Abrie van Staden	Adebiji Aromolaran
Adèle Kriel	Adri Grobler	Adriaan Botha	Ahmed Jones
Ajay Pundir	Akaash Dayaram	Akhil Rao	Alan Pugh-Jones
Alastair Tempest	Albertus Nel	Aldo Laubscher	Aletia Meyer
Allison Potgieter	Amit Khandelwal	Amos Phoshoko	Anand Naidoo
Ancley Jacobs	Andre Hugo	Andrea Voges	Andreas Demleitner
Andres Perez	Andrew Cawoos	Andrew Gómez	Andrew Henderson
Andrew Katzwinkel	Andrew Ma	Andrew Marsh	Andy White
Anita Faber	Anne Clayton	Anne Njoroge	Annemarie van der Merwe
Anthony De Gray Birch	Anthony West	Anton Gerber	Arthi Narayanan
Ashleigh Mervyn	Ashleigh Naidoo	Ashley Cameron	Barry Röhrs
Benjamin Powell	Benoit Pivot	Beverley Furman	Billy Pienaar
Bishnen Kumalo	Bongani Mngomezulu	Bonny Makgopela	Brenda Varrie
Brett White	Brian Le Sar	Brian Mather	Brian Webb
Carla Adams	Cat Denoon-Stevens	Celanchia Froneman	Charl Moller
Charlene Greyling	Chetan Rao	Chris Grove	Chris Harvey
Chris Swart	Chris Wood	Chris Zietsman	Christel de Bruin
Christina Mayisela	Christo Kofie	Christoffel Cronje	Clinton Leask
Clive Gungudoo	Coenie Louw	Conrad Stoltz	Courtney Thorne-Roots
Craig Peirce	Craig Rankin	Danie Roux	Danielle Becker
Darryl Adriaanzen	David Breetzke	David Huang	David Rogers
Dayalan Govender	Denis Kruger	Deon Naidoo	Derick Truscott
Desree Roberts	Devin Whitfield	Dirk Bruynse	Dmitry Drabkin
Drisha Kirkman	Elise Baker	Elmo Erasmus	Emrie Brown
Erick Vischer	Erik Marais	Erna Solomin	Ernest Arendse
Estevao Tokata	Esti Louw	Fallon Yuill	Fanie van Biljon
Francis Brand	Francois Brand	Gabriel Roux	Gabriel Swanepoel

Industry Participants: Individuals (continued)			
Gareth Jasson	Gary Cook	Gary Cope	Gary Soothill
Gerhard Oosthuizen	Gladstone Tafangombe	Glynn Zeederberg	Grace van Deventer
Grant Duff	Grant Truter	Greg Perkins	Gregory van Eden
Hannes Venter	Hansie du Plessis	Harsha Maloo	Heather Sadie
Hendri van der Loo	Hendri van Dyk	Hendrik Neethling	Hendrik Pelser
Hennie van Niekerk	Ian Steyn	Ian Thompson	Idalina Martinho
Imraan Mia	Indira Tsengiwe	Isack Ngobeni	Jaco Folscher
Jacques Lochner	Jada Eagar	Jaime Lilford	James Wainaina
Jamie Moerat	Jan Davel	Jean de Klerk	Jill Murtagh
Joel Bronkowski	Johan Schlebusch	Johan van Tonder	Johann Koen
Johann van der Merwe	Johann van Tonder	Johannes Petrus Venter	John McStay
John Tsalamandris	John Wills	Johnny Pienaar	Jonathan Maphosa
Jonathan Page	Jonathan Thomson	Juan Grobbelaar	Judith Grobler
Julie Wagstaff	Junior Biola	Justin Paulse	Justin Taylor
Kagisho Dichabe	Kamo Ngakantsi	Karabo Matlala	Karen Coetzee
Kate Eagle	Katharyn Gasson	Keith Mclvor	Keith Wrede
Ken Wang	Kerri-Ann Eaton	Kerryn Hummel	Kgotso Buys
Kim Wentzel	Kleo Georgiou	Kobus Grobler	Kotie Coetzee
Kumaran Selvarajalu	Leana Wilson-Hanscomb	Leanne Dorrington	Lebeko Mphelo
Lee-Ann Greyling	Leigh Goosen	Lenus le Roux	Leo Lipis
Leon Grobler	Leon Vermaak	Leonard Shenker	Lerato Moagi
Lesego Chauke-Motshwane	Lesego Ndaba	Leticia Mentz	Liana Bosch
Linda Scheepers	Lipis Advisors	Lisanne Pienaar	Louis Van Staden
Louis Volschenk	Louise De Azevedo	Lourens Roodt	Magda van den Berg
Marin Cundall	Marius Jonker	Mark Hearne	Marleen Coetzee
Marolette van Rooyen	Matthew Coaker	Matthias Kempgen	Meagan Rabe
Megan Brown	Melanie Olivier	Melvin Chetty	Mia-Daniel Bester

Industry Participants: Individuals (continued)

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Mthu Ntlangani	Mulunghisi Mahwayi	Mundhir Sooful	Munya Chiura
Mutumwa Lubasi	Myrna Heunis	Nadia Van Niekerk	Nadine Ann Martin
Nadine Nagooroo	Naomi Breetzke	Natalie Matthews	Natasha Johnston
Natasha Malandji	Natasja Jordaan	Naushin Kader	Nderitu Ndegwa
Neelan Narasimulu	Neha Kumar	Nelly Bapela	Neo Madime
Nick Essame	Nick Theron	Nico Botha	Nkululeko Mvulana
Nono Malefane	Nsele Bokuma	Olebogeng Motsodisa	Oliver O'Brien
Omar Tar	Paris Valakelis	Patience Rolls	Patrick McLoughlin
Paula Buchel	Peter Harvey	Pheona Hartel	Phil Boyall
Phiwokuhle Gasa	Pienaar Zietsman	Pierre Aurel	Pierre Loubser
Pieter Brand	Pieter de Swardt	Pieter Roux	Pieter Swanepoel
Pinki Hoohlo	Polla Whelpton	Potso Rantao	Prashant Paima
Pravin Ramsewak	Preashnie Padayachee	Randall Rhategan	Raymond Burger
Raymond Masoga	Revasan Reddy	Rhod van der Walt	Ria Viljoen
Riaan Coetzee	Riaan Hanekom	Riaan van Staden	Riaz Rahman
Richard Perks	Richard Swart	Richard Williams	Rishi Pillay
Rita Micheletti	Riyaadh Hanslo	Rob Noel	Rodger Dunn
Rolf Moes	Ronalda Blackbeard	Rudie Froneman	Rudolf Smit
Rufaida Hamilton	Rutendo Hlatshwayo	Samantha Boucher	Sandra Houston
Sanjay Persad	Schuzelle van Wyk	Sean Mayos	Segran Moodley
Senzo Dlamini	Shaun Joubert	Sheldon Quarmby	Shelley McKeaveney
Shergeran Naidoo	Sibusiso Jele	Sibusiso Ngwenya	Sizwe Sibeko
Somayya James	Sophia Lange	Steve Greiff	Stu Chalmers
Susan Potgieter	Sylvia Van Nieuwenhuizen	Tamara Chinnathambi	Tanya Knowles
Tanya Tobin-Primo	Tara Griffin	Terence Naidu	Theko Thamae
Theo Kitshoff	Theresa Chetty	Thokozani Dlamini	Thomas Makwarela

Industry Participants: Individuals (continued)			
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Tony Smallwood	Tremaine Hechter	Trevarin Govender	Tshepang Molelekeng
Tyler Slement	Valerie Bosman	Valerie Parker	Vaneshri Chetty
Vaughan Alexander	Vonani Mabunda	Waheed Isaacs	Waseem Ahmed
Wayne Mann	Wayne Nell	Yolande Geldenhuys	Zandile Papi
Zina Coetzee	Zinhle Mngomezulu		

Industry Participants: Organisations and Associations			
3Sixty Life	ABSA	Access Bank	ACI Universal Payments
ACI Worldwide	Ackermans	AddPay	Adhara
ADRA (Association of Debt Recovery Agents)	Adumo Online	African Bank	African Payments Solutions
African Resonance Business Solutions	Ahead Start	Al Baraka Bank	All Encompassing Switching
Altron Fintech (ACS & NuPay) a div of Altron TMT	Always In-touch Real-time ("AIR")	American Express	ASISA (Association for Savings and Investment South Africa)
ASO (Association of System Operators)	AusPayNet	Bank of China	Bank Zero
BankservAfrica	Banqlink	BASA (Banking Association South Africa)	Bidvest Bank
Bitventure Consulting	BlueAvo	Bluecode Africa	BNP Paribas
Bridge Collections	Brolink	Byte Orbit	Callpay
Capital Computer Bureau	Capital Software	Capitec Bank	Cash Connect Management Solutions
Celagenix	Celbux	Centric Net Solutions	CHiCHiBoya Digital
China Construction Bank	CIBA (Commercial Independent Bureaux Association)	Citibank	ClickSendNow
Clientele Life Assurance Company	Comit Technologies / Ignition Telecoms Investments	Connected	Convergent Business Advisory
CPI Corporate Payroll Institute	Crisis Quant Debit Services	Cyan EA	Cypher Business Software
Cyquapro	Dashpay	Debit Collect Pay	Debitech
Deloitte	Depansum	Deposita	Digital Corporate Banking Specialist
Diners Club International	Direct Debit	Direct Transact	Discovery Bank
DMC Debt Management	E-Tech Information Solutions	EasyPay	eCashMeUp
Ecentric	Ecommerce Forum South Africa	Eezipay Management Systems	Efficacy Payments
Electrum	Entersekt	Fidelity Cash Solutions	Finastra
Finbond Mutual Bank	Finclude Technologies	FINASA (FinTech Association of South Africa)	FirstRand Bank
Fiserv	Flexpay	FluidRock Governance	Flutterwave
FSCA (Financial Sector Conduct Authority)	FSS Technologies	Fuel Retailers Association	Future Trend Consulting
G4S Deposita	Granite CSD	Grindrod Bank	Group Collect
Habib Overseas Bank	HBZ Bank	Hello Finance	HSBC Bank
Hyphen Technology	i-Pay	ICICI Bank	iCombine
IDEMIA SA	Ignition Telecoms Investments	Imali Express	Imas Finance

Industry Participants: Organisations and Associations (continued)			
Incatorque (G-PAY)	Indwe	Information Technology Consultants	Innervation PAN African Payments
Internet Filing	Investec	IQ Business	iVeri Payment Technologies
Jarvis Solutions	Johannesburg Stock Exchange	JP Morgan Chase	Kazang (Main Street 1723)
Kianga Trading	Layup Technologies	Letsatsi Finance and Loan	Linkserv
Lipis Advisors	LNBLA (Large Non-Bank Lender Association)	Luno	Maphosa Attorneys
Marquis Finance	Mastercard	MFSA (MicroFinance South Africa)	Milpark University
MoData	mojaPay	MQ Finance	MTN (Mobile Telecommunication Network)
Mukuru	Mulah Quick Ching	National Payment Systems Institute	Nedbank
Net 1 UEPS Technologies	Netcash	NetUP Trading	Network International
Nth Exception	Ntlangani Group of Companies	NuDebt Management	NuPay
O'Keeffe & Swartz BPO	Old Mutual Finance	Open Xchange Africa	Ozow
PanMoja	Paradox Shift Auditing Inc	PASA (Payments Association of South Africa)	Pay@
Payaccsys Services	Paycorp / ATM Solutions	PayFast	PayGate
PayM8	PayPal	PayProp	Paysoft
Paystack South Africa	PayU	Payz	Peach Payments
Pep	Phakama Administration Services	Postbank	Property Payment Solutions
PS Audit / Paradox Shift Auditing Inc	PSSF (Payment System Stakeholder Forum)	PwC (PricewaterhouseCoopers)	Qlink
Qualica Technologies	Qualitative Innovative Solutions	Quickching	Radix Financial Software
Rand Merchant Bank	Randjesfontein Country Estate	Rapid Financial Services	Rapid Pay Collect
Real Pay	Relianz	Rent Pay	Retail Assist
Retriever Fintech	Rohrs and Associates	SABRIC (South African Banking Risk Information Centre)	Sandulela Technology
Sanlam	Santam Insurance	SARB NPSD (South African Reverse Bank, National Payment System Department)	SARPIF (South African Retailers Payment Industry Forum)
Sasfin Bank	SASSA (South African Social Security Agency)	Setcom	Shop2Shop
SICPA (Société Industrielle et Commerciale de Produits Alimentaires)	Snapscan	Sobek IMF	Softy Comp
Spark ATM Systems	Spot Money SA	Stanchion Payments	Standard Bank
Standard Chartered Bank	State Bank of India	Sticitt	Stitch
Stratcol	Strate	Stratfin Services	Sulibrite 360 Degree Solutions

Industry Participants: Organisations and Associations (continued)			
SureSystems	SWIFT	Syntell	Synthesis Software Technologies
Takealot Online	Tawazo Holdings	Transaction Capital Payment Solutions	Telkom
The Unlimited	Three Peaks Management	TPS (Transaction Payment Solutions)	Traderoot
TradeSafe	Transaction Capital Payment Solutions	Transaction Junction	TransUnion ITC
truID	Truzo	Tutuka	TymeBank
Ubank	Ukheshe Technologies	Union Pay	VBS Mutual Bank
Verifone	Virtual Card Services	Visa	Vodacom Payment Services
Volante Technologies	Vumisa SA	Walletdoc	Wappoint
Weconnectu	WestPro Debit Collect Pay	Whoosh Innovations	Wibmo Inc
Winjit South Africa	WIZZIT	Xlink Communications	Xpressa / Mobile Merchant
Yoco	Zapper		

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Ghita Erling	Hennie Ferreira	Herman Singh	Jacque du Toit
Jan Pilbauer	Kagisho Dichabe	Karen Nadasen	Rufaida Hamilton
Wynand Malan			

Guest Speakers			
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Leo Lipis	Mihir Gandhi	Prof. Herman Singh	Tim Masela
Zubin Tafti			

Project Working Group Team Members			
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Joan Kaziyake	Johann van Tonder	John Elliot	Judith Grobler
Kabelo Mohale	Kerri-Ann Eaton	Lauren Breetzke	Lourens Roodt
Matthew Coaker	Megan Brown	Nancy Parris	Neo Molefe
Nsele Bokuma	Persad Sanjay	Pinki Hoohlo	Rochelle Mahon Vosloo
Sophia Clark	Tremaine Hechter	Vaughan Pierce	Werner von Molendorff

The SARB

Annah Masoga	Demi Matubatuba	Jana van Staden	Jeannie Weilbach
Kuben Naidoo	Magedi-Titus Thokwane	Margaret Olivier	Narishka Govender
Nomwelase Skenjana	Pearl Malumane	Peter Makgetsi	Rhona Badenhorst
Shaun Rayfield	Thomas Baloyi	Tim Masela	

PASA Council over the duration of the PIB Design Programme

Independent Chairperson	Sydney Gericke	Alternate Councillors	Boitumelo Legabe
Independent Deputy Chairperson	Ingrid Goodspeed		Frikkie Hanekom
Independent Councillor	Herman Singh		Gabriella Teixeira
Ex-Officio (voting)	Ghita Erling		John Elliot
Ex-Officio (non-voting)	Tim Masela (principal)		Marijke Guest
	Shaun Rayfield (alternate)		Marthinus Janse van Rensburg
Principal Councillors	Busi Radebe		Nolwazi Dlamini
	Charl Smedley		
	Dirk Ehlers		
	Ian Carter		
	Jill Murtagh		
	John Anderson		
	Matthew Coaker		
	Megan Brown		
	Rufaida Hamilton		

FSCA

Hannelie Hattingh	Sindiswa Makhubalo
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The Project Team**PASA Team Members**

Carol Maloko	Charmaine Stainton	Cosmore Pariola	Ghita Erling
Helen Peace	Johan Buitendag	Marí Few	Maurits Pretorius
Naniki Ramabi	Nicolette de la Porte	Pierre Coetzee	Sasha Oliver

PwC Team Members

Angelique Herbst	Chantal Maritz	Divyanshi Rao	Frankie du Preez
Hendrik Geysler	Lizanne Kruger	Marthle du Plessis	Mihir Gandhi
Minal Nagar	Morné Smit	Pallvi Goyal	Zubin Tafti

At That Point Team

Juanita Vorster	Rosa-Mari le Roux
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ANNEXURES

Annexure A: Acronyms & Glossary

Annexure B: Sign-Off Results

**Annexure C: Industry Workshop
Attendance numbers
and Participants**

Annexure A: Acronyms and Glossary

Acronyms

Acronym	Definition
AC	Authenticated Collections
ACB	Automated Clearing Bureau
AEDO	Authenticated Early Debit Order
AGM	Annual General Meeting
API	Application Programming Interface
BASA	Banking Association South Africa
BCP	Business Continuity Plan
CBDC	Central Bank Digital Currency
COFI	Conduct of Financial Institutions
DP	Design Principle
EDO	Early Debit Order
EPC	Electronic, Paper and Cash
F&S	Functions & Scope
FSCA	Financial Sector Conduct Authority
FSR	Financial Sector Regulation
IFWG	Intergovernmental Fintech Working Group
KPI	Key Performance Indicator
KRA	Key Result Area
LE	Legal Entity
M&G	Membership & Governance
M&R	Mandate & Recognition
MIS	Management Information Systems
MNO	Mobile Network Operator
MOI	Memorandum of Incorporation
NAEDO	Non-Authenticated Early Debit Order

Acronym	Definition
NPS	National Payment System
NPSD	National Payment System Department, a department within the SARB
NQF	National Qualifications Framework
NT	National Treasury
OIIP	Other Impacted or Interested Parties
PA	Prudential Authority
PASA	Payments Association of South Africa
PCFP	PASA Certificate in Foundational Payments
PCH	Payment Clearing House
PCI DSS	Payment Card Industry Data Security Standard
PIB	Payments Industry Body
PIPC	PASA International Payments Conference
PSA	Payment System Association
PSMB	Payment System Management Body
PSO	Payment Clearing House System Operator
PSP	Payment Services Provider
RPP	Rapid Payments Programme
RSO	Responsible Senior Officer
RTC	Real Time Clearing
SADC	Southern African Development Community
SAMOS	South African Multiple Option Settlement System
SAQA	South African Qualifications Authority
SARB	South African Reserve Bank
SI Clearing Participant	Systemically Important Clearing Participant
SME	Subject Matter Expert
SO	System Operator
TOM	Target Operating Model
TPPP	Third Party Payment Provider

Glossary

Term	Description
3D Secure	3D Secure is a protocol designed to be an additional security layer for online card transactions
Advisory Committee	Refer to section 5.3.2.1 “Defining PIB Committees and Structures”
Board	The governing body of the PIB (King IV) The board of directors (Section 1 of the Companies Act)
Board Committee	A committee established by the Board by delegating authority, roles and responsibilities to such Committee to assist the Board in the effective discharge of its responsibilities. Delegation of authority is recorded in a formal terms of reference
Board Member	Director as defined in Section 1 of the Companies Act Member of the Governing Body (as contemplated in King IV)
Board Stakeholder Forums	Refer to section 5.3.2.1, “Defining PIB Committees and Structures”
Clearing Participant	Refer to section 5.3.1.2, “Entities organised by activities in the Payments Ecosystem”
Cores	To help segment the stakeholder groups, interested organisations were grouped based on their then current role and participation within the payments system. The main groupings were referred to as the cores.
DebiCheck	DebiCheck is a secure debit order payment system that allows participants to electronically approve and authenticate the debit order details.
Design Team	Analogous to an advisory board for the programme. A smaller group of highly respected and credible industry experts to ensure objectivity and independence, guide the programme and act as a “soundboard” for plenary considerations.
Designated Clearing System Participant	Non-licensed entities that are designated by the SARB as Clearing Participants.
Dispute resolution relating to the interoperability rules	Refer to section 3.5.2.1, “F 1.1 Rule Setting”
Governance Structures	Refer to section 5.3.2.1, “Defining PIB Committees and Structures”
Industry	Industry refers to all the payments ecosystem entities and associations who participated in the PIB Design Process. The collective of “Participants”.
Interoperability rules	Refer to section 3.5.2.1, “F 1.1 Rule Setting”
ISO 20022	Global standard for electronic data interchange between financial institutions
Member Participation Structures	Refer to section 5.3.2.1, “Defining PIB Committees and Structures”
Onion ring	Refer to “Cores”
Operator	Refer to section 5.3.1.2, “Entities organised by activities in the Payments Ecosystem”
Operator rules	Refer to section 3.5.2.1, “F 1.1 Rule Setting”

Term	Description
Other Impacted or Interested Parties	Refer to section 5.3.1.2, “Entities organised by activities in the Payments Ecosystem”
Participant	Entities and associations which were consulted in the PIB Design Process
PASA Council	The governing body of PASA
Payment Services Provider	Refer to section 5.3.1.2, “Entities organised by activities in the Payments Ecosystem”
Payment System Management Body	As defined in Section 3 of the NPS Act
PIB	Payments Industry Body, a placeholder name for the new payment industry body whose Design is articulated in this report
PIB Design Programme	Refer to section 1.2, “Background”
PIB Management Structures	Refer to section 5.3.2.1, “Defining PIB Committees and Structures”
PIB Member Types	Refer to section 5.3.1.2, “Entities organised by activities in the Payments Ecosystem”
PIB Membership Category	Refer to section 5.3.1.5, “Membership Category Options”
PIB Structure Sufficient consensus	A sufficient consensus is achieved at 90% of total votes
PIB Structure Supermajority	A supermajority number is achieved at 75% of total votes
PIB Structures	Refer to section 5.3, “Signed-off Membership & Governance”
Project Team	The Project Team consisted of PASA employees, PwC team members and At That Point working on the PIB Design project.
Rapid Payments Programme	A national initiative to introduce a next-generation, easy-to-use, real-time retail payments system in South Africa. The Industry programme which delivered PayShap.
SAMOS	The South African Multiple Option Settlement system is an automated interbank settlement system provided by the SARB for banks to settle their interbank obligations on a real-time gross basis, or under a delayed gross settlement arrangement. SAMOS is used for the settlement of all large-value, retail and securities transactions.
Scheme rules	Refer to section 3.5.2.1, “F 1.1 Rule Setting”
Settlement rules	Refer to section 3.5.2.1, “F 1.1 Rule Setting”
Stakeholder Forums	Refer to section 5.3.2.1, “Defining PIB Committees and Structures”
StratCo	Strategy committee for co-ordinating and aligning a holistic view of the payment stream
System Operator	As defined in Section 1 of the NPS Act
Systemically Important (SI) Clearing Participants	Refer to section 5.3.1.2, “Entities organised by activities in the Payments Ecosystem”
Third Party Payment Provider	As defined in the SARB Directive 1 of 2007 for Third Party Payments Providers
Working Group	Smaller groups which were formed on an ad hoc basis to explore and propose solutions to specific design challenges. Examples included a legal group which considered the most appropriate legal entity type for the PIB.

Annexure B: Sign-Off Results

Introduction

This section details the process followed in requesting Sign-Offs, tracking (capturing) responses and votes, as well as calculating support and Response Rates.

Role of associations in the Sign-Off Process

Participants were given the option to vote as a "group". This was specifically aimed at associations whose members wanted them to coordinate responses. Inner and Middle Core associations

included a list of their members whose views were represented with each response and therefore their votes were recorded on an individual organisation basis, from the lists provided. Outer Core votes were recorded at an association level.

Sign-Off Requests via outgoing email

In total, 12 Sign-Off requests were sent to the Industry during the period 27 September 2021 to 29 July 2022, with the last Sign-Off window closing on 16 August 2022. The last request included three Sign-Off sections, bringing the total number of signed-off submissions to 14. Each Sign-Off request was

introduced during an Industry Workshop followed by an email detailing the specific Sign-Off instructions. These were sent to all Participants who registered for the Programme in August 2021 and to all those organisations who later joined the Programme (see section 1.6, "Mobilising all the participants in the process"). Sign-Off requests were emailed directly to associations and their members for the Inner and Middle Core, and therefore the numbers below include the requests sent to associations and association members. Below is a summary of the total number of organisations who received Sign-Off requests by Core:

Figure B.1: Number of organisations who were sent Sign-Off requests

Topic	DP v 1.0	F&S v 1.0	DP v 2.0	M&R v 1.0	F&S v 2.0	Funding v 1.0	M&G v 1.0	F&S v 3.0	M&G v 2.0	LE v 1.0	TGA v 1.0	Funding v 2.0 & M&G v 2.0A
Response window	27 Sep'21 – 29 Oct'21	17 Nov'21 – 10 Dec'21	10 Dec'21 – 21 Jan'22	28 Jan'22 – 11 Feb'22	2 Feb'22 – 25 Feb'22	2 Feb'22 – 16 Mar'22	2 Feb'22 – 4 Mar'22	25 Mar'22 – 8 Apr'22	25 Mar'22 – 8 Apr'22	29 Mar'22 – 26 Apr'22	29 Mar'22 – 26 Apr'22	29 Jul'22 – 16 Aug'22
Inner Core	37	37	37	37	37	37	37	37	37	37	37	37
Middle Core	175	178	178	178	179	179	178	185	185	185	185	189
Outer Core	8	8	8	8	8	8	8	7	7	7	7	7
Total	220	223	223	223	224	224	223	229	229	229	229	233

* The Sign-Off request entitled "Funding 2.0 and M&G 2.0A" requested Sign-Off on Funding & other Obligations v 2.0 and Membership & Governance v 2.0A. The latter had two parts, namely Membership & Governance v 2.0A (AGM Voting and Board Composition) and Membership & Governance v 2.0A (OIIP Option A vs. Option B).

The shaded columns above indicate the Sign-Off round on which final approval was achieved.

Capturing of Responses Received

Participants were able to respond either online via Google Forms or by completing an offline Adobe PDF document and submitting this to the PIB Programme's central mailbox. The Adobe PDF document was a copy of the Google Form template and contained the same questions and wording.

Google Form votes were automatically logged, while the Adobe PDF responses received via email were captured manually and added to the Google data sheet by the Project Team.

In the case where a participating organisation was included in a "group" vote by their association, but

also voted in its individual capacity, the individual vote was recorded and the vote for that specific organisation was removed from their association's vote count. Where an individual organisation or an association responded more than once, the last response was used and the earlier response was removed from the calculations.

Figure B.2: The number of Sign-Off responses received

Topic	DP v 1.0	F&S v 1.0	DP v 2.0	M&R v1.0	F&S v 2.0	Funding v 1.0	M&G v 1.0	F&S v 3.0	M&G v 2.0	LE v 1.0	TGA v 1.0	Funding v 2.0	M&G v 2.0A (AGM Voting & Board Comp)	M&G v 2.0A (OIP A vs B)	Grand Total
Sign-Off requested date	27 Sep '21	17 Nov '21	10 Dec '21	28 Jan '22	2 Feb '22	2 Feb '22	2 Feb '22	25 Mar '22	25 Mar '22	29 Mar '22	29 Mar '22	29 Jul '22	29 Jul '22	29 Jul '22	
Responses via Google Forms	126	41	51	36	37	41	41	40	41	40	41	37	37	37	646
Responses via Email	9	11	15	22	18	19	15	14	16	16	19	24	23	23	244
Total responses	135	52	66	58	55	60	56	54	57	56	60	61	60	60	890
Total votes	152	70	90	81	96	101	87	84	100	87	101	91	90	90	1320

The shaded columns above indicate the Sign-Off round on which final approval was achieved.

Calculating the Sign-Off Support

As explained above, votes from the Inner and Middle Core were calculated on an individual organisation basis. Outer Core votes and calculations were based on the number of associations, and not by the number of members within the response.

The figure below details the vote calculations for each of the Sign-Off requests:

Figure B.3: Approval rates per Sign-Off

Core	Detail	DP v 1.0	F&S v 1.0	DP v 2.0	M&R v 1.0	F&S v 2.0	Funding v 1.0	M&G v1.0	F&S v 3.0	M&G v 2.0	LE v 1.0	TGA v 1.0	Funding v 2.0	M&G v 2.0A (ACM Voting and Board Comp)	M&G v 2.0A (OIIP Option A vs B)
Sign-Off requested date		27 Sep '21	17 Nov '21	10 Dec '21	28 Jan '22	2 Feb '22	2 Feb '22	2 Feb '22	25 Mar '22	25 Mar '22	29 Mar '22	29 Mar '22	29 Jul '22	29 Jul '22	29 Jul '22
Inner Core	Supporting votes	22	24	35	23	8	8	7	28	28	27	7	27	27	27
	Votes	26	25	35	23	29	30	28	28	28	27	27	28	27	27
	Percentage support	85%	96%	100%	100%	28%	27%	25%	100%	100%	100%	26%	96%	100%	100%
Middle Core	Supporting votes	107	34	53	53	63	67	45	50	67	56	70	56	58	58
	Votes	120	43	53	54	66	70	57	52	68	56	70	58	58	58
	Percentage support	89%	79%	100%	98%	95%	96%	79%	96%	99%	100%	100%	97%	100%	100%
Outer Core	Supporting votes	5	2	2	4	1	0	2	4	4	4	4	5	5	5
	Votes	6	2	2	4	1	1	2	4	4	4	4	5	5	5
	Percentage support	83%	100%	100%	100%	100%	0%	100%	100%	100%	100%	100%	100%	100%	100%
Total votes		152	70	90	81	96	101	87	84	100	87	101	91	90	90

* For the Sign-Off of Membership & Governance OIIP, votes for either Option A or Option B were reported as supporting votes. All responses selected either Option A or Option B.

The shaded columns above indicate the Sign-Off round on which final approval was achieved.

Calculating the Response Rate

The Response Rate calculation aimed to provide a view of the level of Sign-Off engagement.

Calculating the Response Rate presented during the Programme

During the Programme, for the Sign-Off of Design Principles 1.0 and 2.0, the Project Team defined the response baseline as the number of organisations that were originally invited to register, irrespective of whether they did, in fact, register. In August 2021, the Project Team amended this response baseline from registration invites to the number of Participants who had actually registered.

Calculating the Response Rate for this report

During the drafting of the report, the Project Team agreed that a more accurate reflection of the Sign-Off Response Rates would be to include all organisations who actively participated in the design of the PIB.

As such, the Response Rate for a specific Sign-Off was calculated based on the votes recorded, divided by the number of organisations who actively participated at the time of the Sign-Off request. An organisation was deemed active either through Workshop attendance or through providing a Sign-Off response. Participants were counted as being active from the first date that they attended an Industry Workshop or responded to a Sign-Off request. It should be noted, however, that all Participants were given the opportunity to respond to all Sign-Off requests, from the time that they joined the Programme, whether or not they were considered active at that point.

The adjusted formula is as follows:

Response Rate for a specific Sign-Off = Number of Votes / Active Participants

As with the Sign-Off support vote calculation, votes and responses from the Inner and Middle Core were calculated on an individual organisation basis. Outer Core votes and responses were based on the number of associations, and not on the number of members within the response.

The change in methodology results in slightly different numbers being included in this report than were reported during the Programme. The differences are immaterial, but for complete transparency are articulated below in figure B.5 “Comparison of Response Rates reported during the Programme and Response Rates in this report”.

The figure below details the final Response Rates for the purposes of this report:



Figure B.4: Response Rates calculated for this report

Core	Detail	DP v 1.0	F&S v 1.0	DP v 2.0	M&R v 1.0	F&S v 2.0	Funding v 1.0	M&G v 1.0	F&S v 3.0	M&G v 2.0	LE v 1.0	TGA v 1.0	Funding v 2.0	M&G v 2.0A (AGM Voting and Board Comp)	M&G v 2.0A (OIIP Option A vs B)
Sign-Off requested date		27 Sep '21	17 Nov '21	10 Dec '21	28 Jan '22	2 Feb '22	2 Feb '22	2 Feb '22	25 Mar '22	25 Mar '22	29 Mar '22	29 Mar '22	29 Jul '22	29 Jul '22	29 Jul '22
Inner Core	Votes	26	25	35	23	29	30	28	28	28	27	27	28	27	27
	Active Participants	34	35	37	37	37	37	37	37	37	37	37	37	37	37
	Percentage Response	76%	71%	95%	62%	78%	81%	76%	76%	76%	73%	73%	76%	73%	73%
Middle Core	Votes	120	43	53	54	66	70	57	52	68	56	70	58	58	58
	Active Participants	171	178	182	185	187	187	187	192	192	192	192	203	203	203
	Percentage Response	70%	24%	29%	29%	35%	37%	30%	27%	35%	29%	36%	29%	29%	29%
Outer Core	Votes	6	2	2	4	1	1	2	4	4	4	4	5	5	5
	Active Participants	6	6	6	6	6	6	6	6	6	6	6	6	6	6
	Percentage Response	100%	33%	33%	67%	17%	17%	33%	67%	67%	67%	67%	83%	83%	83%

The shaded columns above indicate the Sign-Off round on which final approval was achieved.

The figure below details the Response Rates presented at the Industry Workshop compared to the recalculated Response Rates:

Figure B.5: Comparison of Response Rates reported during the Programme and Response Rates in this report															
Core	Detail	DP v 1.0	F&S v 1.0	DP v 2.0	M&R v 1.0	F&S v 2.0	Funding v 1.0	M&G v 1.0	F&S v 3.0	M&G v 2.0	LE v 1.0	TGA v 1.0	Funding v 2.0	M&G v 2.0A (AGM Voting and Board Comp)	M&G v 2.0A (OIIP)
Sign-Off requested date		27 Sep '21	17 Nov '21	10 Dec '21	28 Jan '22	2 Feb '22	2 Feb '22	2 Feb '22	25 Mar '22	25 Mar '22	29 Mar '22	29 Mar '22	29 Jul '22	29 Jul '22	29 Jul '22
Inner Core	Programme Results	70%	Not presented to the Industry	95%	65%	81%	Not presented to the Industry	76%	71%	71%	68%	Not presented to the Industry	74%	71%	71%
	Report Results	76%	71%	95%	62%	78%	81%	76%	76%	76%	73%	73%	76%	73%	73%
Middle Core	Programme Results	40%	Not presented to the Industry	20%	35%	34%	Not presented to the Industry	35%	34%	44%	37%	46%	37%	37%	37%
	Report Results	70%	24%	29%	29%	35%	37%	30%	27%	35%	29%	36%	29%	29%	29%
Outer Core	Programme Results	55%	Not presented to the Industry	33%	45%	18%	Not presented to the Industry	27%	67%	67%	67%	67%	83%	83%	83%
	Report Results	100%	33%	33%	67%	17%	17%	33%	67%	67%	67%	67%	83%	83%	83%

The shaded columns above indicate the Sign-Off round on which final approval was achieved.

List of Changes made to Voting Count

In drafting the report, the Project Team performed various checks to ensure that the votes were accurately counted during the Programme. In this exercise, the Project Team identified a few instances where votes were incorrectly allocated due to late submissions, organisations incorrectly indicating their core, or missed removal of duplicate votes.

For reporting purposes, the Project Team corrected these votes and reports the final calculations in this annexure. Below is a list of the changes made:

• DP v 1.0

- Two Middle Core organisations were counted in their individual capacity as well as within their Middle Core association response. The two votes were removed from the Middle Core count.

• DP v 2.0*

- One Middle Core organisation incorrectly listed its organisation as Inner Core and therefore its vote was moved to Middle Core.
- Three duplicate votes were removed from the Middle Core count.

• M&R v 1.0*

- Two banks that do not participate in payments through Clearing or Settlement were included in an Inner Core association vote. Their votes have been removed from the final results.

• F&S v 2.0

- One Middle Core organisation incorrectly listed its organisation as Inner Core and therefore its vote was moved to Middle Core.

• M&G v 1.0

- Two Middle Core organisations responded after the results were prepared and were thus added to the Middle Core count.

• Funding v 1.0

- One Middle Core organisation incorrectly listed its organisation as Inner Core and therefore its vote was moved to Middle Core.
- One Middle Core association responded individually and was also counted with its association's response. The vote count under the association was removed.
- Two duplicate votes were removed from the Middle Core count.

• F&S v 3.0*

- One Inner Core organisation incorrectly listed its organisation as Middle Core and therefore its vote was moved to Inner Core.

• M&G v 2.0*

- One Inner Core organisation incorrectly listed its organisation as Middle Core and therefore its vote was moved to Inner Core.

• LE v 1.0*

- One Inner Core organisation incorrectly listed its organisation as Middle Core and therefore its vote was moved to Inner Core.
- One Middle Core organisation incorrectly listed its organisation as Inner Core and therefore its vote was moved to Middle Core.
- One Inner Core association originally provided a conditional Sign-Off. After the final, non-conditional feedback was received from this association, 21 votes were added to the Inner Core count.

• TGA v 1.0

- One Inner Core organisation incorrectly listed its organisation as Middle Core and therefore its vote was moved to Inner Core.
- One duplicate vote was removed from the Middle Core count.
- An Inner Core association responded after the results were first reported. These votes were incorporated and 19 votes were added to the Inner Core count.

• M&G v 2.0A – AGM Voting and Board Composition*

- An incomplete Inner Core vote was removed after the results were prepared.

• M&G v 2.0A – OIIP Option A vs. B*

- An incomplete Inner Core vote was removed after the results were prepared.

* Final Sign-Off on this topic was achieved during this Sign-Off request.

Annexure C: Industry Workshop Attendance numbers and Participants

Initially 193 entities registered in August 2021 to join the Programme and after the start date organisations who approached the project were invited to join the Industry Workshops and included in Sign-Off requests. The figure below details the number of attendees and number of organisations represented at each of the Industry Workshops:

Figure C.1: Number of attendees and organisations represented by Industry Workshop

Industry Workshop date	Number of attendees	Number of organisations represented
7 September 2021	260	179
23 September 2021	149	105
28 October 2021	166	112
29 October 2021	146	98
15 November 2021	119	80
8 December 2021	121	75
27 January 2022	137	90
28 January 2022	129	89
23 March 2022	121	79
27 May 2022	146	93
15 June 2022	136	83
28 July 2022	136	91
Average per Industry Workshop	147	98

