



BANKSERVAFRICA



BankservAfrica Principles for Financial Market Infrastructures Disclosure Framework

PERIOD UNDER REVIEW: 2023 SELF-ASSESSMENT



BANKSERVAFRICA

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RESPONDING INSTITUTION:

- SOUTH AFRICAN BANKERS SERVICES COMPANY (PTY) LTD (BANKSERVAFRICA)

JURISDICTIONS IN WHICH THE FMI OPERATES/PROVIDES SERVICES:

- REPUBLIC OF SOUTH AFRICA – PAYMENT CLEARING HOUSE SYSTEM OPERATOR (PSO)
- SOUTHERN AFRICAN DEVELOPMENT COMMUNITY – REGIONAL CLEARING AND SETTLEMENT OPERATOR (RCSO)

AUTHORITY(IES) REGULATING, SUPERVISING OR OVERSEEING THE FMI:

- SOUTH AFRICAN RESERVE BANK NATIONAL PAYMENT SYSTEM DEPARTMENT (SARB NPSD) – PSO ACTIVITIES
- SOUTHERN AFRICAN DEVELOPMENT COMMUNITY PAYMENT SYSTEM OVERSIGHT COMMITTEE (SADC PSOC) – RCSO ACTIVITIES

THE DATE OF THIS DISCLOSURE IS DECEMBER 2023

THIS DISCLOSURE CAN ALSO BE FOUND AT <https://www.bankservafrika.com/website>

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EXECUTIVE SUMMARY

BankservAfrica can trace its roots to 1972 with the formation of Automated Clearing Bureau (Pty) Ltd (ACB) which was the entity that was jointly created by the founding shareholders to perform the interbank clearing function for the South African payments industry.

BankservAfrica is a leading automated clearing house in Africa and provides interbank switching, clearing and settlement services to the South African banking sector in the context of its role as a Payment Clearing House System Operator (PSO). The company facilitates interbank payment transactions in a highly regulated system that is compliant with international banking best practice and standards, while reducing risk and complexity in the industry.

In April 2012 the Bank for International Settlements' Committee on Payments Market Infrastructure (CPMI), and the Technical Committee of the International Organisation of Securities Commissions (IOSCO) published the "Principles for Financial Market Infrastructures (PFMIs) report.

The PFMIs update, harmonise and strengthen the international risk management and associated standards applicable to systemically important payment systems (PSs), central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs) and trade repositories (TRs).

In September 2013 the South African Reserve Bank confirmed its support for the PFMIs and delegated the oversight of the PFMIs to the National Payment System Department (NPSD). In a Position Paper dated September 2018, BankservAfrica was designated as a domestic systemically important financial market infrastructure by the NPSD.

Given BankservAfrica's role as a PSO, its main risks are associated with ensuring operational resilience. To that end, BankservAfrica has invested a great deal of resources in ensuring that its technology systems are resilient and capable of processing effectively and efficiently, that it has adequate financial resources that are available in the event that it requires operating capital and that its Business Continuity Processes and its Risk Management programme is effective and robust.



BankservAfrica has used the Principles for Financial Market Infrastructures: Disclosure Framework and Assessment Methodology to draft this document, which is based on BankservAfrica's 2023 Principles for Financial Market Infrastructures Self-Assessment, for the purpose of disclosing to its stakeholders its level of adherence to the applicable principles.

SUMMARY OF MAJOR CHANGES SINCE THE LAST UPDATE OF THE DISCLOSURE

Since the previous Disclosure Framework in respect of the 2021 PFMI Self-Assessment, the following major changes have occurred within BankservAfrica:

- Roshan Moonsamy was appointed as the Acting Chief Executive Officer, replacing Jan Pilbauer whose tenure ended on the 31st of March 2023. Since that period, the Board had embarked on a process to identify a new permanent Chief Executive Officer, with Stephen Linnell being appointed with effect from the 1st of October 2023;
- In appreciation of the importance of the function, particularly in relation to BankservAfrica's designation as a systemically important payment system financial market infrastructure, the role of Chief Risk Officer was created, with Nkateko Mabaso being appointed to occupy this role;
- Ben Janse van Rensburg has been appointed to the role of Chief Technology Officer with effect from the 1st of November 2023;
- BankservAfrica's Chief Customer Officer, Martin Grunewald, has resigned from the organisation with effect from the 30th of November 2023;
- BankservAfrica's Chief Product Officer, Mpho Sadiki, has resigned from the organisation with effect from the 31st of December 2023;
- In June 2021 the South African Reserve Bank (SARB) requested PASA to facilitate the co-design of a new Payments Industry Body (PIB) by an inclusive community of payment system stakeholders. BankservAfrica has been an active participant in the process, including in the PSMB Transitional Committee, which is being administered by the NPSD;
- The Rapid Payments Programme (RPP) initiative has gone to market under the name of PayShap. BankservAfrica has been licensed as the Payment Clearing House System Operator (PSO) by the Rapid Payments (RP) PCH PG and has been appointed and recognised by the industry and the regulatory authorities as the scheme manager of the PayShap Scheme;
- PayShap went live on the 13th of March 2023, with cohort 1 being made up of four (4) banks. The number of participant banks has grown, and as at the date of this Disclosure Framework, nine (9) banks are now live on PayShap;



- As part of its Board approved Cloud Strategy, BankservAfrica has, with the authorisation of the SARB NPSD, deployed PayShap in the cloud;
- The Transactions Cleared on an Immediate Basis (TCIB) cross-border payments stream for which BankservAfrica has been appointed as the Regional Clearing and Settlement Operator (RCSO) by the SADC Payment System Management Body (SADC PSMB), as well as mandated to act as the TCIB Scheme Manager by the SADC Payment System Oversight Committee (SADC PSOC) which is the regulatory authority for the SADC Regional Payment System. There are currently four (4) active participants (banks and non-banks) with 46 potential participants (banks and non-banks) awaiting approval from their respective regulatory authorities to join the TCIB Scheme;
- In the period under review, BankservAfrica has terminated its role as the technology service provider to Multipay, the operator of the interbank card switch operations in the Democratic Republic of the Congo (DRC);
- BankservAfrica has been appointed by the Cash Strategy Committee of the Banking Association of South Africa (BASA) as the Independent Cash Administrator tasked with supporting the cash industry in the back-office administration of cash supply. As at the date of this Disclosure Framework, this role is restricted to providing billing services while the industry is engaged in the “lift & shift” phase from the existing service provider;
- BankservAfrica has been collaborating with a consortium of stakeholders from across different industries, including government role-players, to develop a national Digital Identity solution for South Africa;
- The Cheque payment stream and Early Debit Order (EDO) payment stream were both sun-set during this period, with the latter being replaced by the Authenticated Collections payment stream (which is marketed in the public space under the name of Debicheck);
- BankservAfrica has been appointed as the PSO by UnionPay International (UPI) for all UPI transactions acquired in South Africa.

GENERAL BACKGROUND OF THE FMI

BankservAfrica's services are provided to clients on a fair, equitable and transparent basis. In its role as a Payment Clearing House System Operator (PSO), it is a trusted partner of the South African financial services industry and an integral part of the country's National Payments System (NPS).

At its core, BankservAfrica provides interbank switching, clearing and settlement of low value retail transactions (below R5 million) to the South African banking sector. The company facilitates transactions in a highly regulated system that is compliant with international banking best practice and standards, while reducing risk and complexity in the industry.

Leading systems, infrastructure, tools and expertise have ensured that BankservAfrica remains an important role player in electronic payment and information switching services. The organisation's operational abilities include:

- Multiple electronic delivery capabilities
- Operating mission critical payment systems
- Facilitation of connectivity
- Message management
- Billing and compiling management information

Critical to all of these operational abilities is the privacy, safety and security of the data transmitted and stored, which is managed and governed as a priority within a highly secure environment.

BankservAfrica serves as a PSO for the following PCHs:

- Authenticated Collections (Debicheck)
- Debit Card
- Credit Card
- Fleet
- Amex
- Diners
- Automated Teller Machine, Self Service Device (ATM & SSD)

- Electronic Funds Transfer (EFT) Credit
- Electronic Funds Transfer (EFT) Debit
- Real Time Clearing (RTC)
- Rapid Payments (PayShap)

BankservAfrica provides supplementary services such as:

- E-commerce transactions (3D Secure)
- Account Verification Services (AVS)
- Transaction Fraud Mitigation (TFM)
- Integrated Cash Management Services (ICMS)
- Independent Cash Administrator services (currently restricted to billing services while the industry is engaged in the “lift & shift” phase from the existing service provider)
- Interbank billing and managing inter-bank fees and collections
- Detailed statistical trend analyses (which culminate in the economic trend indicators that BankservAfrica prepares and releases monthly to the marketplace)
- SWIFT Bureau services
- Data-Centre hosting services

Additionally, in its role as a PSO in the domestic payments landscape, BankservAfrica has been authorised as the Regional Clearing and Settlement Operator (RCSO) by the SADC PSMB and appointed as the Scheme Manager by the SADC PSOC for the Transactions Cleared on an Immediate Basis (TCIB) payment system.

General organisation of the FMI

The relationship between BankservAfrica, its shareholders and Board of Directors and their rights and responsibilities is governed by the Memorandum of Incorporation (in accordance with the relevant considerations contained in the Companies Act), and the company is structured and governed in accordance with its provisions.

BankservAfrica is owned by ABSA Bank Limited, Nedbank Limited, The Standard Bank Limited and First National Bank Limited, who collectively hold an equal share of 92.5% of the shareholding, with the remaining 7.5% being held by Dandyshelf 3 (Pty) Ltd, a consortium comprising of the following banks – Access Bank (South Africa) Ltd, Bidvest Ltd, Capitec Bank Ltd, Citibank NA South Africa, Investec Bank Ltd, Sasfin Ltd and

Ubank Ltd. Shareholders who hold 5% or more of BankservAfrica's shares are eligible to nominate one director to the Board of Directors.. In addition to shareholder appointed Non-Executive Directors, BankservAfrica's Memorandum of Incorporation permits the Board to appoint a further five Independent Non-Executive Directors and up to four Executive Directors.

The following Board Sub-Committees have been constituted by the Board, namely - Audit and Risk Committee, Technology Committee, Human Capital Social and Ethics Committee, and the Nomination Committee.

Legal and regulatory framework

In terms of Section 10 (1) (c) (1) of the South African Reserve Bank Act, the SARB is entitled to “perform such functions, implement such rules and procedures and, in general, take such steps as may be necessary to establish, conduct, monitor, regulate and supervise payment, clearing or settlement systems”. The National Payment System Act, 78 of 1998, (NPS Act) was promulgated to provide for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in the Republic of South Africa. It should be noted that the NPS Act is currently the subject of a regulatory review, with an expectation that the Conduct for Financial Institutions (COFI) Bill which contains consequential amendments to the NPS Act, will be promulgated in the second half of 2024. An omnibus bill will be released for industry comment by the National Treasury and the SARB in the first half of 2024, for the purpose of expediting into existence key enabling provisions critical to the consequential amendments to the NPS Act.

- Clearing is defined in the NPS Act as “the exchange of payment instructions” and refers to the process through which participant banks use BankservAfrica's services as a PSO to exchange and reconcile payment items made by clients and to calculate balances due to or from participant banks prior to settlement.
- Settlement is defined in the NPS Act as “the discharge of settlement obligations” and refers to the process through which participant banks use BankservAfrica's services as a PSO to fulfil their clearing obligations to other banks by transferring funds between accounts held at the SARB based on the amounts owed to each other as calculated in the clearing process via a settlement instruction, which is

an instruction given to a settlement system by BankservAfrica (as the PSO) on behalf of a (SARB) settlement system participant to effect settlement (also as defined in the NPS Act).

In terms of Section 2 of the NPS Act “(t)he Reserve Bank, as contemplated in section 10 (1) (c) of the South African Reserve Bank Act, may exercise the powers and must perform the duties conferred and imposed on it by (the NPS Act)”, which includes, among other things, the issuing of directives in terms of Section 12 of the NPS Act. These powers and tasks are vested in the National Payments System Department (NPSD) of the SARB.

Per Section 3 of the NPS Act, the SARB is empowered to recognise a PSMB to assist the SARB in fulfilling its responsibilities in terms of section 10 (1) (c) of the SARB Act. The Payments Association of South Africa (PASA) has been recognised as the PSMB by the NPSD (as per the NPS Act). Pursuant to the outcomes of a review of the effectiveness of PASA that was conducted by the NPSD and finalised in 2018, PASA was mandated by the NPSD in 2021 to undertake a process in conjunction with the industry, to evolve from its current form as a PSMB, into a Payments Industry Body (PIB). After more than a year spent in the PIB design process, a report was submitted to the NPSD in November 2022 containing proposed amendments to PASA’s PSMB status (along with other elements that will expand its functions and scope as a PIB). The NPSD has established a forum called the PSMB Transitional Committee, that is tasked with reviewing the proposed recommendations insofar as they pertain to PASA’s PSMB status and has issued a “No-Objection” letter that will enable the PIB Design Authority to conclude its work. The omnibus bill that will be released for comment in the first half of 2024, would need to be promulgated ahead of the finalisation of the PIB process.

The objectives of the PSMB are to organise, manage and regulate, in relation to its members, all matters affecting payment instructions and, in connection with those objectives and to provide a forum for the consideration of matters of policy and mutual interest concerning its members. In addition to any other provisions thereof, the rules of the PSMB must empower that body to recommend for approval by the SARB, criteria subject to which any person is to be authorised to act as a PCH system operator within a payment system (“PSO Criteria”), and to authorise that person to act as a PCH System Operator in accordance with the PSO Criteria. It should be noted that the licensing of PSO’s (as well as the licensing of other industry role players such as Participants, System Operators, etc) will move from PASA to the NPSD when the COFI Bill (or the omnibus bill) containing the consequential amendments to the NPS Act gets promulgated. Another important development that should also be noted is that the PSO Criteria has been recently revised. In terms

of these revisions, all PSO's that apply for a licence to act as a PSO in South Africa will have to establish processing infrastructure to enable the clearing of transactions on-soil in South Africa as opposed to off-shore.

BankservAfrica undertakes an annual application process to PASA in accordance with the requirements contained in the PSO Criteria, to be reappointed as the PSO for the payment streams that it operates. The Payment Clearing House agreements and the schedules to these agreements govern the relationship between participants.

The legal certainty in respect of the services which BankservAfrica provides is also set out in the BankservAfrica Service Agreement which is entered into by BankservAfrica and each participant.

The operational details are contained in a series of Product Manuals and certainty on pricing is provided by a Pricing and Fee book. Both the Product Manuals and the Pricing and Fee book are binding on participants in terms of the BankservAfrica Service Agreement.

Any third-party connectivity to BankservAfrica systems, which is not regulated in the BankservAfrica Service Agreement, is regulated by a Net-Connect Agreement.

BankservAfrica contributes to support financial stability as set out in the various pieces of South African legislation, including Section 4 of the Financial Sector Regulation Act. On behalf of its members, BankservAfrica supports the public interest of South Africa in a resilient, efficient, and fair National Payment System.

Insofar as BankservAfrica's licensing as the RCSO in SADC, it has received a license from the SADC PSMB for the Transactions Cleared on an Immediate Basis (TCIB) payment stream and for which BankservAfrica has been appointed as the Scheme Manager by the SADC Payment System Oversight Committee (PSOC).

System design and operations

In BankservAfrica's role as a PSO, it is licensed by PASA and is appointed by the Payment Clearing House Participant Groups (PCH PGs) for the individual payment streams in which it engages in the clearing and settlement of interbank payments between participant banks.

- Clearing is the process through which participant banks using BankservAfrica's services as a PSO exchange and reconcile payment items made by clients and the calculation of balances due to or from participant banks prior to settlement.
- Settlement is the process through which participant banks using BankservAfrica's services as a PSO fulfil their clearing obligations to other banks by transferring funds between accounts held at the SARB based on the amounts owed to each other as calculated in the clearing process.

Although BankservAfrica is appointed as a PSO for different payment streams, there are essentially two forms of payments that get processed by BankservAfrica, batch and online.

- **BATCH** is a term often used in transaction processing where a number of data records or files are bundled together (i.e. creating a 'batch' of records) for processing by a system. The processing of the 'batch' will be initiated on a predetermined or scheduled time as determined by the system owner or custodian. This offers system custodians the luxury of scheduling less urgent data processing processes at a later stage to spread the capacity load over the various systems. Similarly, it provides the system owners the luxury of prioritising processing activities to ensure optimal processing efficiency.
- **ONLINE** is a term often referred to in transaction processing where there is a need to process data records or files immediately to ensure a successful execution of the processing value chain. Online processing often happens in a matter of seconds and greatly reduces risks in the processing value chain. e.g. when someone withdraws money at an ATM, the transaction will be processed online (i.e. the card issuer will need to authorise the transaction) to ensure the customer has funds in her/his account before the ATM can dispense the cash. The customer would also be debited

immediately. Therefore, the entire end-to-end transaction is executed in a matter of seconds. Even though it does provide many benefits, online processing requires more processing power to be able to ensure there is always capacity to process the data.

BankservAfrica's transactional volumes and values for the last five years is as follows:

Year	Volumes	Values (Rands)
2017/2018	3,479,973,515	11,474,298,591,284
2018/2019	3,833,134,738	12,221,791,168,984
2019/2020	3,764,772,262	12,261,499,370,221
2020/2021	4,082,778,280	13,529,179,133,727
2021/2022	4,671,063,424	14,998,815,809,797
2022/2023	5,156,741,102	16,505,640,939,889

Modernisation of payments

Payment modernisation has long been identified as critical to the South African payments landscape. BankservAfrica continues collaborating with the payments industry to develop modernisation solutions that support the South African economy.

The PayShap Scheme which went live in March 2023, is a result of the Rapid Payments Programme (RPP), an industry project initiated by BankservAfrica to design a mobile-friendly, data-rich instant payments service that could be offered to the banks. PayShap, which supports the SARB's Vision 2025 goals, is the first foray into the establishment of an API-enabled platform, that is comprised of micro-services and is hosted in the cloud. In its current iteration, it is made up of the following features:

- Instant Payments – Immediate notifications and posting of funds that are final and irrevocable;
- Proxy – Enables payments without the need of bank account details through public and private identifiers;
- Request to Pay – Enables users to request payments from other users digitally.

As the PayShap Scheme Owner, BankservAfrica has established the requisite governance structures, as well as systems and processes to enable the execution of the Scheme operations. These functions are in addition to BankservAfrica's role as the PSO appointed by the Rapid Payments PCH PG, and in terms of which all the

requisite PCH PG Agreements as well as the BankservAfrica Services Agreements have been concluded in accordance with the PSO Criteria. As at the date of this Disclosure Framework, nine (9) banks have gone live on Product Release One (i.e. Instant Payments and Proxy), with Product Release Two (Request to Pay) being scheduled for release in 2024.

PRINCIPLE-BY-PRINCIPLE SUMMARY NARRATIVE DISCLOSURE

PRINCIPLE 1: LEGAL BASIS

AN FMI SHOULD HAVE A WELL-FOUNDED, CLEAR, TRANSPARENT, AND ENFORCEABLE LEGAL BASIS FOR EACH MATERIAL ASPECT OF ITS ACTIVITIES IN ALL RELEVANT JURISDICTIONS.

BankservAfrica operates within a sound regulatory framework, and it is able to clearly articulate the legal basis by which it is governed, especially in its domestic PSO activities in which the regulatory environment is much clearer, premised on the National Payment System Act (NPS Act), the Criteria to be appointed a Payment Clearing House System Operator (PSO Criteria) and the Payment Clearing House Participant Group (PCH PG) rules. The agreements entered with the participants (the BankservAfrica Services Agreement) and other key stakeholders, including technology service providers that connect into BankservAfrica (the Net Connector Agreement), also enables BankservAfrica to articulate the legal basis for its activities with clarity.

BankservAfrica's rules, procedures and contracts are clearly enforceable in the domestic context in its role as a PSO as they are based on the domestic statutory and regulatory framework, with certainty of jurisdictional application (i.e. that contracts are governed by South African law) being clearly articulated in the relevant contracts that are signed with participants

From a PayShap perspective, particularly in the context of its role as the Scheme Manager, BankservAfrica has engaged in a robust deliberation process with the Participants' Legal teams towards ensuring that there is clarity and alignment in respect of the Scheme rules as well as the systems and processes related to compliance enforcement, and so forth. The contracting that was undertaken between BankservAfrica and the Scheme Participants entails the signing of the Annexure A16 in the BankservAfrica Services Agreement, which provides the requisite contractual nexus between BankservAfrica and Scheme Participants. Participants would also have had to sign the RP PCH Agreement administered by PASA, which acknowledges the appointment of BankservAfrica as the PSO for the RP PCH PG.

BankservAfrica makes every effort to ensure that contracts are subject to the jurisdiction of the laws of South Africa. Although there are a nominal number of contracts which fall outside of the South African jurisdiction, none of these impact on the NPS. BankservAfrica has furthermore implemented a “New Business Policy” which stipulates that any business conducted under non-SA jurisdiction must follow a prescribed approval process which includes appropriate legal and risk assessment of that specific jurisdiction.

From a RCSO perspective, the legal framework comprises of the RCSO appointment in accordance with the TCIB Rule Book, and the Scheme Management appointment by the SADC PSOC in respect of the TCIB payment stream. Given that there is currently no implemented harmonised regulation between the various jurisdictions, the participants from the various jurisdictions have to apply to their respective central banks and banking associations for permission to participate in the TCIB payment stream that is managed and operated by the RCSO. TCIB Agreements are signed with some potential RCSO participants, with more to be concluded as more participants sign up for the service.

The TCIB Rule Book would serve as a source of rules and procedures that the RCSO would use from an Operator and Scheme Management Body perspective.

The TCIB Agreements that have been signed with potential RCSO participants (both bank and non-bank), also serves to articulate the legal basis for BankservAfrica’s activities as they are governed by South African law, which adds a degree of certainty to their enforceability. Notwithstanding this control measure, the risks of rules, procedures and contracts being unenforceable due to statutory and regulatory nuances in different jurisdictions are mitigated using legal advisors to provide clarity on the rules, procedures and contracts.

PRINCIPLE 2: GOVERNANCE

AN FMI SHOULD HAVE GOVERNANCE ARRANGEMENTS THAT ARE CLEAR AND TRANSPARENT, PROMOTE THE SAFETY AND EFFICIENCY OF THE FMI, AND SUPPORT THE STABILITY OF THE BROADER FINANCIAL SYSTEM, OTHER RELEVANT PUBLIC INTEREST CONSIDERATIONS, AND THE OBJECTIVES OF RELEVANT STAKEHOLDERS.

BankservAfrica's MOI states that the Business which the Company is to carry on is the provision of the Core Services and services that pursue interoperability, efficiencies and risk mitigation for the financial services industry by means of leveraging the Company's principal competencies, and such other services to be included in the Business as determined by Special Resolution from time to time. Core Services are defined as "services that the company performs as a PSO on behalf of a PCH participant. Any other services intricately linked to a PCH and/or which substantially assist in reducing risk to the National Payment System shall be included as Core Services from time to time".

Furthermore, there is constant engagement with regulators, participants and other key stakeholders to ascertain what the public interest considerations are pertaining to BankservAfrica's role in the national payment systems. By virtue of its role as a systemically important payment system financial market infrastructure, BankservAfrica supports regulatory authorities in achieving public interest objectives.

BankservAfrica's MOI serves as the primary governance document in the organisation, the Board's terms of reference (as contained in the Board Charter) as well as the terms of reference for the various Board Sub-Committees, the Corporate Approval Framework and the Delegation of Authority Policy and the relevant procedures documents also serve as an indicator of the governance arrangements within the organisation. As with most companies, BankservAfrica's policies are not generally available for public consumption. However, BankservAfrica's website does contain information regarding its Governance arrangements, which includes the PFMI self-assessment Disclosure Framework. Furthermore, the Business Review is published annually and contains information regarding BankservAfrica's governance arrangements. Both the Business Review as well as the information contained on the BankservAfrica website are available to the public.

BankservAfrica has the following Board Sub-Committees namely: Technology Committee; Human Capital, Social and Ethics Committee (HSEC); Nominations Committee; and Audit and Risk Committee. Authority is

delegated to these committees by the Board of Directors and documented in formal Terms of Reference, which provide a mandate in respect of each Board Sub-Committee and their respective composition and responsibilities. The formal Terms of Reference are reviewed and approved every two years or when significant changes are required by the Board of Directors. Other Board Sub-Committees are constituted on an *ad hoc* basis as the need arises to deal with specific matters and issues. Conflicts of interest are governed by the Declaration of Interest and Gifts and Use of Confidential Information Policy. Directors are inducted into the organisation when they join the Board and there is continuous training and development (via membership of the IOD) as well as an evaluation of the performance of the Board of Directors every two years.

BankservAfrica follows a comprehensive process to ensure that its Independent Non-Executive directors are suitably qualified to serve as directors on the Board of Directors. The factors that are taken into consideration when assessing the independence of its Independent Non-Executive Directors are rigorously adhered to as is compliance with the declaration of interests in terms of the Declaration of Interest and Gifts and Use of Confidential Information Policy. The Board Charter, which sets the direction regarding the appointment and remuneration of directors, gets reviewed by the HCSEC, recommended to the board and then sent to the shareholders for approval at the AGM.

In determining the fees, the HCSEC may either undertake an informal benchmarking process, or involve professional advisors who are well-versed in the remuneration structure that should be put in place, by taking into account the size of the Company, the expertise and contribution made by Non-Executive Directors and their involvement in the Board Sub-Committees as well as the size and complexity of the Board.

The Executive Committee (ExCo) are individuals that are appropriately skilled and experienced to manage the company per the advice and guidance of the Board and in accordance with their key performance areas and as per the authority delegated to them by the CEO (who is in turn duly authorised and empowered by the Board). The senior management are recruited in accordance with the Recruitment and Selection Policy. The objective of this policy is to provide clear and consistent good practice guidelines in the recruitment and selection of persons who demonstrate attributes that are consistent with BankservAfrica's vision and values and who will help achieve BankservAfrica's strategic objectives.

The performance of these senior members of management are assessed twice a year as part of the organisation-wide appraisal process.

BankservAfrica has a comprehensive Risk Management Framework which is reviewed and approved at different levels until it is formally noted at the Board. There are different role-players in the risk management process, but it is ultimately the Board that is responsible for the management of risks in the organisation. BankservAfrica subscribes to the ISO 31000: 2018 framework and the top strategic risks as well as operational risks are reviewed regularly.

With effect from February 2024, the Risk Management Policy will be reviewed and approved biennially (every two years) by the Audit and Risk Committee and subsequently noted by the Board. The Risk Management Framework and all updates are reviewed and approved by the Chief Risk Officer. Any changes to the Risk Management process which may impact the Risk Management Policy will be tabled to the Audit and Risk Committee. Responsibilities and accountability for risk decisions and decision-making in crises and emergencies are clearly articulated.

Key members of management (and in some instances, members of the Board) engage with BankservAfrica's stakeholders to assess their needs to ensure that BankservAfrica's design, rules and overall strategy adheres to the needs of its key stakeholders, including participants and non-participants. These engagements are in terms of the relevant policies, including the Stakeholder Engagement Policy and the Communications Policy.

The interests of all participants are integral to the BankservAfrica corporate strategy. All Shareholders of BankservAfrica with an excess of 5% shareholding are entitled to appoint a Non-Executive Director onto the BankservAfrica Board of Directors.

In the case of disclosures to BankservAfrica's Shareholders, the shareholder appointed Non-Executive Directors would be tasked with disclosure of major decisions to their respective banks. In most instances, depending on the nature of the relationship with a particular stakeholder, the communication would be in person (or a personally addressed letter) to a senior representative of the stakeholder. In the instance of the public, given that BankservAfrica is not a business-to-consumer business, it would most usually involve communications to the PCH PG which would then take the information back to their respective banks.

PRINCIPLE 3: FRAMEWORK FOR THE COMPREHENSIVE MANAGEMENT OF RISKS

AN FMI SHOULD HAVE A SOUND RISK-MANAGEMENT FRAMEWORK FOR COMPREHENSIVELY MANAGING LEGAL, CREDIT, LIQUIDITY, OPERATIONAL, AND OTHER RISKS.

BankservAfrica has a comprehensive risk management process in place which includes documented and tested Resilience processes and Business Continuity Plans testing/simulation exercises to test the organisation's ability to recover from various scenarios. All documents are reviewed, updated, and approved on an annual basis according to a formal Corporate Approval Framework which is monitored by the appropriate Management Forums, the Committees of the Board, and the Board of Directors. An annual Strategic Risk analysis exercise takes place in which the key strategic risks are identified for the organisation and these are reviewed on a quarterly basis at the Audit and Risk Committee meetings. Operational risks are reviewed on a monthly basis by the various business units. Extensive focus has been placed on the availability of the clearing and settlement services that are provided by BankservAfrica and a great deal of effort is taken in reducing single points of failure. The control environment is monitored on an on-going basis and regularly reviewed by the Internal Audit function and other external assurance providers.

BankservAfrica dis-incentivises participants in the form of penalties for those participants whose behaviour introduces risk into the national payment system; from an RCSO perspective although there are no incentives nor are there any agreed penalties for incorrect behaviour, there is however an escalation process to the Scheme Manager to manage the behaviour accordingly.

New participants are trained on the systems and rules and processes to ensure that they are aware of the type of behaviour that would introduce risk into the system. Extensive testing is done to ensure that the connectivity with the participants is robust. In addition, there is Resilience testing and Business Continuity Planning simulations to ensure that the risks are adequately mitigated. Participants can access the information regarding their own volumes and values that have been processed via an online portal. Information is also shared to the PCH PG's on participants that are introducing risk into the system.

BankservAfrica has identified network connectivity, information technology resilience and the continued financial sustainability of BankservAfrica as material risks. BankservAfrica participates in industry forums and is aware of the risks associated with network connections and accordingly monitors the risks that are posed to it by other connected parties as well as the risks that it poses to other parties to whom it is connected. Extensive network connectivity testing is done with its participant banks to minimise this risk. Tools are used to monitor the connectivity with participants and a SMS system has been implemented to communicate with participants in the event of any incidences. Maintaining the industry SLA's is at the forefront of BankservAfrica's priorities. Risks associated with connectivity interdependencies are discussed at the various risk as well as management forums in BankservAfrica, all the way up to the Audit and Risk Committee.

The Managed Services Resilience Policy and Procedure cover the continuation of all BankservAfrica services in the event of a disaster and contains information such as a list of the various critical BankservAfrica Information Technology services, the time available for recovery, the recovery strategy as well as all the contact numbers of all critical support staff, vendors, and clients.

The Business Continuity Plan covers the relocation and recovery of all business operations. It defines the membership, roles and responsibility of the various recovery teams that will manage the recovery processes in the event of a disaster.

BankservAfrica has developed a Wind Down that considers current operations and legislation. The BankservAfrica Wind-Up process is a process that aligns to the expectations of the 2020 Financial Sector Act, which states that BankservAfrica should be in the position of "orderly resolution" of the organisation and/or its services, in a way that:

- a) It assists in maintaining financial stability; and
- b) Ensures that the critical functions performed by BankservAfrica continues to be performed.

PRINCIPLE 8: SETTLEMENT FINALITY

AN FMI SHOULD PROVIDE CLEAR AND CERTAIN FINAL SETTLEMENT, AT A MINIMUM BY THE END OF THE VALUE DATE. WHERE NECESSARY OR PREFERABLE, AN FMI SHOULD PROVIDE FINAL SETTLEMENT INTRADAY OR IN REAL TIME.

In its role as a PSO, BankservAfrica is responsible for all the clearing and settlement of transactions that are processed on a daily basis including the submission of settlement obligations to the SARB.

BankservAfrica does not control settlement, this process falls within the ambit of the SARB. BankservAfrica's point of settlement finality occurs when the SARB's SAMOS system successfully processes the settlement instructions. BankservAfrica does, however, have service level agreements in place to ensure that the relevant settlement data gets calculated from the clearing files and that the settlement information is submitted to the SARB in respect of the settlement requirements by the respective PCH's in a timely manner in order to reduce settlement risk. Collateral management is the function of the SARB.

From an RCSO perspective, this process falls within the ambit of the appointed RTGS operators (normally Central Banks) and Correspondent Banks. BankservAfrica's point of settlement finality occurs when the RTGS system(s) successfully processes the settlement instructions or when the Correspondent Bank(s) fulfil their mandated settlement obligations. BankservAfrica does, however, have service level agreements in place to ensure that the relevant settlement data gets calculated from the clearing files and that the settlement information is submitted to the various RTGS system(s) and Correspondent Banks in respect of the settlement requirements set out by the TCIB Rule Book, in a timely manner in order to reduce settlement risk. Collateral management is the function of the Central Bank(s) and/or the Correspondent Bank(s).

In the domestic context, payment finality is determined by the clearing rules as determined by the relevant PCH PG and from an RCSO perspective payment finality is determined by the clearing rules as determined by the TCIB Rule Book.

PRINCIPLE 13: PARTICIPANT-DEFAULT RULES AND PROCEDURES

AN FMI SHOULD HAVE EFFECTIVE AND CLEARLY DEFINED RULES AND PROCEDURES TO MANAGE A PARTICIPANT DEFAULT. THESE RULES AND PROCEDURES SHOULD BE DESIGNED TO ENSURE THAT THE FMI CAN TAKE TIMELY ACTION TO CONTAIN LOSSES AND LIQUIDITY PRESSURES AND CONTINUE TO MEET ITS OBLIGATIONS.

BankservAfrica is responsible for the clearing of transactions that are processed between the various participants, and the submission of the settlement files to the SARB via the SAMOS system where settlement takes place; in the regional context for TCIB, it is the SADC RTGS and the correspondent settlement banks. Given the way the service is provided by BankservAfrica, it would not be exposed to settlement risk in the event that any of its participants were to default.

It is not part of BankservAfrica's mandate to manage the liquidity positions of the participants that use its services. BankservAfrica's Business Continuity Plan manual contains adequate discretionary processes which delineates roles and responsibilities and details communication procedures to all relevant stakeholders that will be implemented in the event of any incident occurring. BankservAfrica's processes are based on industry-wide rules that are developed by the PCH PG's and which clearly indicate that in the event of a default, the regulators (SARB and/or the PSMB) will step in and provide instructions on how to deal with the situation. In the case of the RCSO, it will be the SADC PSOC and the TCIB Scheme Management Body that will provide these instructions.

For TCIB, BankservAfrica manages settlement exposure by performing multiple intraday settlements (scheduled for the future), checking a participant's settlement exposure against their debit cap limit and only allowing transactions to be cleared which fall within the allocated item-limit set by currency for a participant.

BankservAfrica has no control over the frequency with which tests get conducted as the testing gets implemented by SAMOS and BankservAfrica and the relevant participants are required to participate as directed by the settlement system operator. From the RCSO perspective, in addition to following the test requirements from the SADC RTGS, the RCSO will follow test requirements as stipulated by the domestic RTGS's (operated and regulated by domestic Central Banks of the participant SADC countries) and Correspondent Banking settlement arrangements for TCIB.

The results of the tests are shared as appropriate with the relevant governance forums and regulatory authorities.

PRINCIPLE 15: GENERAL BUSINESS RISK

AN FMI SHOULD IDENTIFY, MONITOR, AND MANAGE ITS GENERAL BUSINESS RISK AND HOLD SUFFICIENT LIQUID NET ASSETS FUNDED BY EQUITY TO COVER POTENTIAL GENERAL BUSINESS LOSSES SO THAT IT CAN CONTINUE OPERATIONS AND SERVICES AS A GOING CONCERN IF THOSE LOSSES MATERIALISE. FURTHER, LIQUID NET ASSETS SHOULD AT ALL TIMES BE SUFFICIENT TO ENSURE A RECOVERY OR ORDERLY WIND-DOWN OF CRITICAL OPERATIONS AND SERVICES.

BankservAfrica has a well-developed Risk Management programme which incorporates, among other things, the annual Strategic Risk assessment workshop at which risks are assessed on an enterprise-wide basis against current controls and evaluated for residual risk level. In addition, there are monthly risk assessment workshops, which feed into the quarterly Audit and Risk Committee meetings. These different processes and forums are sufficient to enable the identification of the risks specifically mentioned in this key consideration.

Per the Principles for Financial Market Infrastructures, BankservAfrica retains at least 6 months' worth of operating costs in liquid net assets. The amount of liquid net assets that are held is based on BankservAfrica's projected operating costs, taking into consideration the risks that are identified as part of the Risk Management programme. BankservAfrica's investments and financial affairs are well managed via the various committees and forums and there is strict oversight to ensure that assets that are invested for general business risk are adequate.

BankservAfrica's Board of Directors is empowered in terms of the MOI to permit Management to approach its shareholders for funding and if necessary, to raise additional capital in the form of a loan should the organisation be in a position where the need to drive a particular strategic imperative could lead to the assets that are being retained being less than its business needs.

BankservAfrica has developed a Wind Down plan that considers current operations and legislation. Further to the Wind Down Plan, there are other plans to address the resilience of BankservAfrica in the event of an incident, such as its Business Continuity Plan and Resilience Plan. The 6 months' worth of liquid assets that are retained for the operations of the company are not ring fenced as, save for the possibility of credit risk arising out of participants failing to pay BankservAfrica services rendered, there is very minimal risk of BankservAfrica being directly affected by a defaulting participant.

Assets that are invested for the management of general business risk, are of a high quality and are managed through various investment portfolios in accordance with the Investment Policy. The status of investment portfolios is monitored at the requisite platforms and by the Audit and Risk Committee on a quarterly basis as part of its review of the financial affairs of the organisation.

The development, implementation and strict adherence to the BankservAfrica's Investment Policy and Enterprise Risk Management process and practices ensures no issues of concern or identified gaps or shortcomings or deficiencies of the key considerations of this principle.

PRINCIPLE 16: CUSTODY AND INVESTMENT RISKS

AN FMI SHOULD SAFEGUARD ITS OWN AND ITS PARTICIPANTS' ASSETS AND MINIMISE THE RISK OF LOSS ON AND DELAY IN ACCESS TO THESE ASSETS. AN FMI'S INVESTMENTS SHOULD BE IN INSTRUMENTS WITH MINIMAL CREDIT, MARKET, AND LIQUIDITY RISKS.

The development, implementation and strict adherence to the BankservAfrica Investment Policy ensures no issues of concern or identified gaps or shortcomings of the key considerations of this principle. Custody risk is dealt with by ensuring BankservAfrica only holds cash at, or invests surplus cash in, 'authorised' financial institutions. BankservAfrica's Investment Policy sets out investment parameters such as portfolio diversification, which is meant to minimise the risk of loss resulting from over-concentration of assets.

BankservAfrica has no participant assets held in custody, hence it is not necessary to disclose these details to participants as BankservAfrica is not dealing with their assets. It does however restrict its own investments

to call accounts, fixed term savings accounts, short term investments, and fixed income investments, all of which confirm ownership.

The liquidity of its investments (as well as the safety of the funds that it has invested) are all addressed in BankservAfrica's Investment Policy, thereby ensuring that BankservAfrica will have prompt access to its investments, per the requirements of this key consideration.

BankservAfrica's Investment Policy covers credit risk, which ensures that investment institutions are pre-qualified and that portfolios are diversified so that potential losses will be minimised (maximum limit of no greater than 25% per institution); and are limited to banks with a minimum acceptable risk rating, below which BankservAfrica will not invest its funds.

PRINCIPLE 17: OPERATIONAL RISKS

AN FMI SHOULD IDENTIFY THE PLAUSIBLE SOURCES OF OPERATIONAL RISK, BOTH INTERNAL AND EXTERNAL, AND MITIGATE THEIR IMPACT THROUGH THE USE OF APPROPRIATE SYSTEMS, POLICIES, PROCEDURES, AND CONTROLS. SYSTEMS SHOULD BE DESIGNED TO ENSURE A HIGH DEGREE OF SECURITY AND OPERATIONAL RELIABILITY AND SHOULD HAVE ADEQUATE, SCALABLE CAPACITY. BUSINESS CONTINUITY MANAGEMENT SHOULD AIM FOR TIMELY RECOVERY OF OPERATIONS AND FULFILMENT OF THE FMI'S OBLIGATIONS, INCLUDING IN THE EVENT OF A WIDE-SCALE OR MAJOR DISRUPTION.

BankservAfrica has made large investments in recent years towards sustaining system availability and minimising downtime. All known single points of failure have been eliminated through on-site resilience, data replication and dual processing. The participants connect to the primary and/or secondary production sites for processing real-time transactions and an immediate switch over is done for batch processing.

BankservAfrica has a comprehensive operational Risk Management Framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks. BankservAfrica conforms to the ISO 31000:2018 Risk Management standard. Given BankservAfrica's role in the National Payment system, its IT operations are closely monitored and there is a focus on adherence to policies and

standards. Change Management processes as well as the skills and experience of staff, particularly the staff engaged in the operations of its key services, are also very important in minimising the operational risks.

BankservAfrica's Board of Directors is involved in the approval of its Risk Management Framework and the Audit and Risk Committee is directly involved in the oversight of Risk Management in the organisation. In addition, Operational Risk is addressed at a technical level at the Technology Committee. The systems and processes are subjected to scrutiny by the Internal Audit department as part of its three-year rolling internal audit programme.

As part of its Board approved Cloud Strategy, BankservAfrica has, with the authorisation of the SARB NPSD, deployed PayShap in the cloud. This deployment is part of a carefully constructed plan to move from processing via on-premises infrastructure to being able to leverage off the benefits of using a cloud infrastructure service provider. Notwithstanding this deployment (and planned future deployments) in the cloud, BankservAfrica will retain full responsibility and accountability relating to regulatory, supervisory and oversight duties while discharging its operator responsibilities and obligations and will not delegate accountability to the cloud service provider. This includes compliance with the National Payment System Act 78 of 1998, as amended (NPS Act), all regulatory instruments issued in terms of the NPS Act, other financial sector laws, the Principles for Financial Market Infrastructures (PFMIs) and supporting guidance on FMIs issued by the Committee on Payment and Market Infrastructures (CPMI) and the International Organisation of Securities Commissions (IOSCO).

BankservAfrica agrees its own annual operational service level targets with the Board of Directors as well as an industry agreed service level target, which are tracked by the Operations Manager on a monthly basis via the Operations Forum meeting. These Service Level Agreement (SLA) targets are formally recorded and presented to the respective Audit and Risk Committee, the Technology Committee and the Board of Directors. All incidents that fail to meet the agreed SLA's are escalated to all stakeholders, including the Payment System Management Body and the SARB when applicable.

Capacity utilisation is measured and monitored on an on-going basis by the Infrastructure Department, especially around peak processing periods such as month end, social grant payments, the Easter weekend, the Black Friday/Cyber Monday weekend, and over the Christmas period. The monitoring of BankservAfrica's capacity is overseen by the Technology Committee. Capacity is addressed in BankservAfrica's annual capital

expenditure programme to ensure that the organisation's capacity is at optimal levels and capacity performance is measured on a 24x7x365 basis by the Operations Department to identify bottlenecks.

BankservAfrica has the requisite policies and procedures in place to address both physical and Information Security vulnerabilities. The former is addressed in terms of its Security Manual and the latter by the Information Security policies which are compliant to/ based on PCI DSS standards as well as ISO 27001. There are numerous platforms and forums at which Information Security is addressed. External consultants are used on an advisory basis as well as to undertake testing of BankservAfrica's systems. The Internal Audit Department undertakes reviews of the policies and processes to ensure that there is strict compliance, and the Change Advisory Board (CAB) facilitates the Change Management processes whilst taking into consideration risks being introduced.

BankservAfrica's Business Continuity Plan is premised on BankservAfrica's objective of providing continued and uninterrupted services to its participant banks. The Business Continuity Plan provides for dual resilient operational sites and aligns to the Managed Services Resilience Policy and Procedure and alludes to both Maximum Acceptable Outages (MAO's) and Recovery Time Objectives (RTO's) per service.

BankservAfrica developed and implemented a bi-directional fully functional resiliency model that allows for production processing at both sites (i.e. Selby and Randburg). Processing takes place daily between the two sites for selected payment streams. In the event of a crisis, switchover will be undertaken seamlessly.

BankservAfrica has a secondary site (Randburg) which is more than 16 km's from the primary processing site (Selby), with both sites connected via dual connectivity. Redundancy in the respect of BCP is by virtue of dual operational sites in both Selby and Randburg. Replication between the sites is real time on a 24x7x365 basis.

With regards to real-time card transactions, the transactions in flight will be declined or timed out and will therefore fail. To mitigate the above, processing will continue as normal due to the banks processing to both sites in parallel.

In respect of batch processing, BankservAfrica will relocate and continue to process all unprocessed input files for the day.

BankservAfrica performs at least one business continuity simulation per annum based on specific scenarios. Various Resilience tests are conducted throughout the year according to a formal Resilience testing schedule which is agreed with all the participants (PCH PG's/SARB/ TCIB Scheme Manager) at the beginning of each calendar year.

BankservAfrica understands the risks posed on it by other parties. The only other FMI's that BankservAfrica connects into are SAMOS and the SADC RTGS, and BankservAfrica has a good understanding of the risks that it poses to these FMI's. BankservAfrica has a robust infrastructure providing on-site resilience, bi-directional replication and dual processing. BankservAfrica monitors all transmission networks on behalf of the participants. Failures are escalated to the relevant participant as soon as the failure is detected. Any delays in processing are escalated via a bulk SMS and email service.

BankservAfrica has introduced a Managed Network Service (MNS) which enables it to have control over the network. This service was introduced to reduce service outages as a result of network issues.

PRINCIPLE 18: ACCESS AND PARTICIPATION REQUIREMENTS

AN FMI SHOULD HAVE OBJECTIVE, RISK-BASED, AND PUBLICLY DISCLOSED CRITERIA FOR PARTICIPATION, WHICH PERMIT FAIR AND OPEN ACCESS.

Essentially BankservAfrica takes guidance and instruction from the SARB NPSD, the Payment System Management Body and PCH PGs when it comes to aspects such as participants (or prospective participants) gaining access to BankservAfrica, from a domestic perspective.

BankservAfrica's processes and procedures are aligned to these guidelines and/ or instructions and it reports back to the SARB NPSD, the Payment System Management Body and the PCH PGs upon completion. The following aspects are worth noting in respect of the key considerations:

- From a PSO perspective, as long as the participant adheres to the criteria as stipulated by the SARB NPSD, the Payment System Management Body and PCH PGs, they are free to gain access to BankservAfrica. All participants are subjected to the same rules and provisions and there is a level

and transparent pricing structure (which is shared with the participants using BankservAfrica's services) so as to ensure fairness in the National Payment System.

- Participants using BankservAfrica's services have to adhere to the respective entry and participation criteria that are established and approved by the respective regulatory authorities. BankservAfrica is governed by the PCH PG clearing rules which conform to the SARB's mandate of ensuring the stability of the National Payment System. Accordingly, any approach by a prospective participant is undertaken in accordance with such risk mitigation measures as contained in these rules. Furthermore, BankservAfrica's risk and internal audit processes ensure that acceptable risk control standards are in place.
- The participants are monitored by the SARB NPSD, the Payment System Management Body and PCH PGs however BankservAfrica would be compelled to assist with providing information pertaining to participants not adhering to participation criteria posing a risk to the National Payment System. If a participant's risk profile deteriorates extensively, it gets noted onto BankservAfrica's risk register (which gets reviewed by the Audit and Risk Committee). BankservAfrica takes instructions from the SARB NPSD in the event of a participant being suspended.
- All of the aforementioned principles and procedures apply to participants in the PayShap Scheme, with the additional element of adherence to the PayShap Scheme Rules. As the PayShap Scheme Manager, BankservAfrica is tasked with implementing the requisite governance processes and systems to ensure that participants comply with the PayShap Scheme rules, as well as that the PayShap Scheme Rules are not inconsistent with the Rapid Payment PCH PG Rules.
- From a RSCO perspective, entities wanting to participate in TCIB require domestic Central Bank authorisation to do so, being an authorised FSP (bank and non-bank) licensed to conduct cross-border payment processing, having settlement bank arrangements in place and acceptance / adherence to the TCIB Scheme Rules and service levels. The access criteria for these participants may differ due to their role / activity performed in TCIB i.e. it will differ between a non-bank participating in clearing, versus a bank participating in clearing and settlement. There are different types of participants within TCIB. The PSOC / TCIB Scheme Manager manage regulatory compliance in terms

of the access criteria. The RSCO reports non-compliance to the TCIB Scheme Manager as and when required.

PRINCIPLE 19: TIERED PARTICIPATION ARRANGEMENTS

AN FMI SHOULD IDENTIFY, MONITOR, AND MANAGE THE MATERIAL RISKS TO THE FMI ARISING FROM TIERED PARTICIPATION ARRANGEMENTS.

BankservAfrica's tiered participation arrangements are premised on the ability of participant banks to themselves be able to sponsor indirect participants into the National Payment System.

The following pertinent factors relate to the key considerations:

- BankservAfrica places reliance on the participant's risk management processes to ensure that indirect participant risks are appropriately managed. The Sponsoring Bank remains liable for the non-technical risks introduced into the National Payment System by the sponsored entity. This responsibility is described in the Master Services Agreement (Addendum B15). BankservAfrica does however get involved from a user specification perspective to ensure that the tiered participants are able to connect to BankservAfrica and so forth. It is also then able to access technical information of the tiered participants.
- The first-tier participants are supervised by the SARB, the Payment System Management Body and PCH PGs and all the subsequent tiers are bank approved and require a due diligence to be undertaken by the sponsoring bank to ensure that they do not introduce systemic risk into the National Payment System.
- All settlement data is submitted via SAMOS to the SARB, and the SARB monitors the proportion of activity that is occurring in respect of both direct and indirect participants. BankservAfrica reporting reflects the settlement breakdown between sponsored and sponsoring banks per service per settlement window. BankservAfrica provides this information to the sponsoring banks (as it is responsible for managing the risk profile of the indirect participant) as well as in certain instances to PASA or the NPSD, if requested.

- BankservAfrica has a mature Risk Management Framework and standard risk management processes will apply if any tiered participant does pose an obvious risk to BankservAfrica's operations, which may include approaching a sponsoring bank to discuss the risks that an indirect participant poses should it be deemed necessary to do so. From the perspective of BankservAfrica's role as the PayShap Scheme Manager, it is able to leverage this position to engage with PayShap Scheme participants to manage the risks that they might pose to the PayShap Scheme (and consequently, the PayShap Payment System).

From an RCSO perspective, the following key considerations are applicable:

- Indirect participants participate via their PPSP (Payment Processing Servicing Provider or Hub), Integrator or via a domestic ACH. Information relating to indirect participants is collected at the time of bringing them onto the service and updated upon the participant's request for change. The PPSP is responsible for the settlement of its participants (indirect participants to TCIB).
- Participants are supervised by the TCIB Scheme Manager. Oversight of all participants, as well as the Scheme Manager is provided by the SADC PSOC. Interdependencies between the direct and indirect participants will be based on them meeting their settlement obligations.
- The RCSO is able to monitor the settlement obligations and transaction volumes of indirect participants versus the settlement obligations and transaction volumes of direct participants. The risk profile of an indirect participant via a PPSP is undertaken by the PPSP, and similarly, the risk profile of an indirect participant via an ACH or Integrator, is undertaken by its sponsoring Settlement Bank.
- The criteria used by BankservAfrica to determine when mitigating actions are required, is the extent (or frequency) to which participants (direct or indirect) reach their debit cap limit, by currency.

PRINCIPLE 21: EFFICIENCY AND EFFECTIVENESS

AN FMI SHOULD BE EFFICIENT AND EFFECTIVE IN MEETING THE REQUIREMENTS OF ITS PARTICIPANTS AND THE MARKETS IT SERVES.

BankservAfrica's commitment to efficiency and effectiveness is borne out by its efforts and the resources that it invests into the process.

It engages widely across the industry, both when developing or making changes to its systems and products, as well as part of its Customer and Stakeholder engagement programmes, to ensure that there is alignment with customer and stakeholder need, thereby ensuring that it remains relevant and appropriate to the needs of its regulators, participants, and other key stakeholders. This applies both domestically as well as from a RCSO perspective.

Their goals and objectives are to get as close to 100% service levels as possible (its SLA's are in excess of 99.98%), thereby being effective in its role as a PSO in the National Payments System (NPS). To this end, it has invested in the requisite systems and processes to ensure the effectiveness of its operations as well as to continually monitor that these goals are being achieved.

BankservAfrica has a well-developed process to evaluate the efficiency and effectiveness of its operations, incorporating measuring its SLA's (for effectiveness) and its efficiencies (via monitoring, among other things, system performance against volumes received and effective price per transaction) all of which gets measured constantly.

PRINCIPLE 22: COMMUNICATION PROCEDURES AND STANDARDS

AN FMI SHOULD USE, OR AT A MINIMUM ACCOMMODATE, RELEVANT INTERNATIONALLY ACCEPTED COMMUNICATION PROCEDURES AND STANDARDS IN ORDER TO FACILITATE EFFICIENT PAYMENT, CLEARING, SETTLEMENT, AND RECORDING.

BankservAfrica operates in a closed domestic user group environment and accommodates both local and international communication standards either natively (for local processing) or through international standards-based translation products (when using SWIFT interface). Although BankservAfrica uses proprietary message formats for batch payments, it does use international standards in other areas.

There are clear signs that the local payments industry is moving towards the adoption of ISO 20022 (which enables richer data transmission during payment processing) particularly since industry modernisation programmes such as Debicheck (Authenticated Collections) and PayShap (RPP) have been implemented in ISO 20022; it should be noted that this is being done as part of a broader industry-wide modernisation programme which will take a longer period of time to implement. On a regional basis, the development of RSCO payment streams has also been undertaken via ISO 20022. Accordingly, both domestic and regional payment streams are adopting international payments standards.

PRINCIPLE 23: DISCLOSURE OF RULES, KEY PROCEDURES AND MARKET DATA

AN FMI SHOULD HAVE CLEAR AND COMPREHENSIVE RULES AND PROCEDURES AND SHOULD PROVIDE SUFFICIENT INFORMATION TO ENABLE PARTICIPANTS TO HAVE AN ACCURATE UNDERSTANDING OF THE RISKS, FEES, AND OTHER MATERIAL COSTS THEY INCUR BY PARTICIPATING IN THE FMI. ALL RELEVANT RULES AND KEY PROCEDURES SHOULD BE PUBLICLY DISCLOSED.

BankservAfrica ensures that its rules and procedures get disclosed to all appropriate stakeholders in the industry to ensure clarity and transparency.

The clearing rules for the various payment streams for which BankservAfrica is appointed as the PSO are set by the respective PCH PG's and PASA. As the PSO, BankservAfrica does not have any decision-making authority over the payment stream (i.e. clearing) rules per se as such mandate resides with the PCH PG. BankservAfrica develops Product and Service Manuals pertaining to the respective payment streams which are shared with participants as and when they are onboarded by BankservAfrica. As the PayShap Scheme Manager, BankservAfrica is responsible for the development of the PayShap Scheme Rules, ensuring that the PayShap Scheme Rules are not inconsistent with the Rapid Payment PCH PG Rules, and that they are available to PayShap Scheme Participants.

BankservAfrica has Product Manuals and guidelines on the operations of its systems, and these get disseminated to the relevant stakeholders and participants at onboarding as well as when these documents get updated. BankservAfrica also discloses its change management processes to the participants should they require it. The participants are also informed of their rights and obligations in the respective agreements (most notably the BankservAfrica Services Agreement) and the annexures that are signed. Although BankservAfrica discloses its Product Manuals (which also contains information relating to exception handling) and relevant technical specifications to the participants and other relevant stakeholders, it does not disclose this level of information to the public at large (there are however product fact sheets that are available on its website which is accessible to the public).

The PCH PG rules stipulate that every new participant has to come on board with a mentoring bank that is supposed to provide the new participants with the necessary training and guidance. The mentoring bank is the one that is responsible for ensuring that the new participant understands the rules and the procedures of the respective payment streams. BankservAfrica serves as one of the facilitators to providing the participants with the necessary training and information and will escalate to the appropriate authorities (PASA and the PCH PG in the domestic environment, and the TCIB Scheme Manager from an RCSO perspective) if it finds that a participant does not understand the rules as it ought to.

BankservAfrica discloses its pricing to its participants (and prospective participants after they have signed the relevant non-disclosure agreements) in its Pricing and Fee book which discloses all relevant fees. It does not disclose its pricing to the general public (although in accordance with recent amendments to the PSO Criteria,

the Pricing and Fee Book will be uploaded onto the Member Portal of BankservAfrica's website), and any changes to services and fees are undertaken via the bank notices. Information relating to costs of operating BankservAfrica gets disclosed to its Board.

Per the agreement with the NPSD, BankservAfrica undertakes a PFMI self-assessment bi-annually (every two years).

Volumes and values are available on BankservAfrica's website, and it also provides the industry with aggregated volumes and values of the various payment streams via the Monthly Payment report (MPR) as well as its Economic Indices (i.e. the BankservAfrica Economic Transaction Indicator, the BankservAfrica Take Home Pay Index, and the BankservAfrica Private Pension Index).

APPENDIX I

PRINCIPLES 'NOT APPLICABLE' TO BANKSERVAFRICA

- Principle 4: Credit risk - BankservAfrica is a PCH SO and, owing to the nature of its operations, is not exposed to credit risk.
- Principle 5: Collateral - BankservAfrica does not utilise collateral to manage its own or its participants' credit exposures.
- Principle 6: Margin - This principle within the PFMI is not applicable to Payment System FMI's.
- Principle 7: Liquidity risk - BankservAfrica is a PCH SO and, owing to the nature of its operations, is not exposed to liquidity risk.
- Principle 9: Money settlements - BankservAfrica is a PCH SO and does not effect settlement.
- Principle 10: Physical deliveries - This principle within the PFMI is not applicable to Payment System FMI's.
- Principle 11: Central securities depositories - This principle within the PFMI is not applicable to Payment System FMI's.
- Principle 12: Exchange-of-value settlement systems - BankservAfrica is a PCH SO and does not operate as an exchange-of-value settlement system.
- Principle 14: Segregation and portability - This principle within the PFMI is not applicable to Payment System FMI's.
- Principle 20: Financial market infrastructure links - This principle within the PFMI is not applicable to Payment System FMI's. The operational link with the SAMOS system is addressed under Principles 3 and Principle 17.
- Principle 24: Disclosure of market data by trade repositories - This principle within the PFMI is not applicable to Payment System FMI's.

APPENDIX II

LIST OF PUBLICLY AVAILABLE RESOURCES

BANKSERVAFRICA GENERAL INFORMATION

- Background information - <https://www.bankservafrika.com/website/about-us/what-we-do>
- BankservAfrica pricing philosophy – <https://www.bankservafrika.com/website/about-us/our-pricing-philosophy>
- BankservAfrica payments modernisation – <https://www.bankservafrika.com/website/about-us/future-of-payments>
- BankservAfrica Business Report – <https://businessreports.bankservafrika.com/>
- BankservAfrica data insights – <https://www.bankservafrika.com/website/data-insights>
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