A BROAD OVERVIEW OF SOUTH AFRICA'S POSITION ON DIGITAL PAYMENTS

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It is interesting to note that there is now a growing number of places around the world that are refusing to accept paper money payments. There are even communities that exist where merchants often frown upon using paper money. Take the declining use of cash in Sweden, Kenya and China for example, South Africa may not be too far behind. South Africa recently opened its first strictly digital banks, Bank Zero and TymeBank. Some of the older banks are also catching up with the digital era, closing some of their branches in a bid to lure their consumers towards their digital offers.[1] According to the Global Cash Index report released in June 2017, in South Africa paper money payments remain the preferred method of payment for transactions.[2] Even though cash is king in South Africa, the global rise of digital payments has been associated with a steady decline of paper money payments. This means the takeover of digital money payments systems against paper money is fast approaching. What then is South Africa's current position on enabling digital payments? This article will briefly examine that position.

The National Payments System Department under the South Africa Reserve Bank is the primary body mandated to promote and adopt a payment system, and where appropriate adopt payment measures, that do not stifle innovation. The National Payment System Act 1998 (**"the NPS Act")** provides for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in South Africa. [3] The NPS Act is the primary enabling act of control of payment systems risk in South Africa.

The current nature of digital payments in South Africa provides that only a registered bank may issue e-money in South Africa. [4] Section 11 of the Banks Act (**"the Banks Act"**) provides that no person may conduct the "business of a bank" unless such a person is a public company and registered as a bank. This means in order to survive as a digital payment issuer one would be required to fully comply with this law. There is further need for digital companies involved in financial services sector to comply with the Financial Intelligence Centre Act (**"the FICA Act"**), which regulates the combat of money-laundering activities and the financing of terrorist activities. The FICA Act places various obligations, including registration, customer due diligence, reporting and recordkeeping requirements on accountable institutions.

There exists an increasing and evolving landscape of fragmented regulatory compliance requirements which would be required for a digital payments system provider, the FICA Act is merely one of many.

If you are a digital payment system provider and require in-depth good, clear, precise advice contact us.

[1] https://www.businessinsider.co.za/bruce-whitfield-on-standard-bank-2019-3

[2] https://www.pymnts.com/cash/2017/south-african-consumers-pick-cash/

[3] The South African Reserve Bank regulates, banks, insurers and cooperative financial institutions.

[4] This is in accordance to Position Paper of National Payments Systems issued by the Reserve Bank in 2009.
https://www.resbank.co.za/RegulationAndSupervision/NationalPaymentSystem(NPS)/Legal/Documents/Position%20Paper/PP2009_01.pdf