

# PAYMENTS ASSOCIATION OF SOUTH AFRICA

INTEGRATED REPORT

2023



With a legacy of over 25 years, PASA, as the trusted Payment System Management Body in South Africa, has been instrumental in driving the payments agenda forward.

As we embark on a transition toward a new and more inclusive Payments Industry Body, our commitment remains to fulfilling our mandate and continuing our critical role in shaping South Africa's payments landscape.

## OVERVIEW

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Explore the focal point of PASA's 2023 integrated report, delving into the process of compilation, review, and approval for publication. Valuable perspectives from PASA's leadership and the strategies employed for value creation and preservation are gained, along with efforts to avoid value erosion. The foundational principles that underpin PASA's balanced viewpoint are understood, along with guidance on navigating through the report seamlessly. The chapter also includes a comprehensive list of frequently used terms and abbreviations, accompanied by explanations to facilitate a better understanding of the content.

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## ABOUT PASA

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In this section, insights are provided into PASA's integral role within the South African payments landscape, highlighting its alignment and collaboration with the South African Reserve Bank (SARB) and Members to ensure the smooth functioning of the NPS. PASA's robust governance structure, including its vision, mission, values, constitution, and membership base, fosters a conducive environment for managing material matters, risks and opportunities, and enhancing the sustainability of the South African payments ecosystem. Additionally, this chapter describes the operating context outlining payment trends and PASA's response, in collaboration with the industry, to the changing payments landscape. At the heart of PASA's operations lies its business model, which demonstrates how capital inputs are employed effectively to generate and safeguard value, mitigating value erosion.

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## HOW PASA CREATES VALUE

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Explore PASA's strategic direction, including its long-term aspirations, key focus areas, and alignment with the SARB Vision 2025. Gain insights on how PASA's internal strategy process supports value creation. Furthermore, PASA's stakeholder engagement strategy highlights its commitment to collaboration and inclusivity, reflecting its pivotal role in engaging and consulting with the broader payments industry.

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## GOVERNANCE

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This governance chapter outlines PASA Council's commitment to robust governance underpinning effective leadership, promoting transparency, ethical conduct, sound functional governance and stakeholder engagement. It covers Council's composition, governance structures and policies, ensuring compliance and accountability.

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## ABOUT THIS REPORT

The primary objective of this report is to present a balanced and accurate depiction of PASA's strategy, performance, risks, opportunities, and future outlook on material, financial, economic, social, and governance issues. It aims to address how value is created over the short, medium, and long-term, demonstrating the impacts on the six capitals. In doing so, stakeholders are provided with a transparent and holistic view of PASA's business operations.

## REPORTING SCOPE, BOUNDARY, AND ALIGNMENT WITH REPORTING FRAMEWORKS

This integrated report encompasses PASA's operations from 1 January 2023 to 31 December 2023. It serves as a communication tool illustrating PASA's value creation process and detailing the advancements made in managing and modernising payments within South Africa's NPS.

This report, aligned with the Integrated Reporting Framework, comprehensively reflects PASA's value creation, preservation, and impact across the six capitals, including consideration of value erosion. The principles of the King Report on Corporate Governance™ for South Africa, 2016 (King IV™) and its supplement for non-profit organisations are applied and demonstrated in this report.


The annual financial statements are prepared in accordance with the reporting principles of the International Financial Reporting Standards (IFRS) and guidelines for Small and Medium-sized Entities.

## MATERIALITY

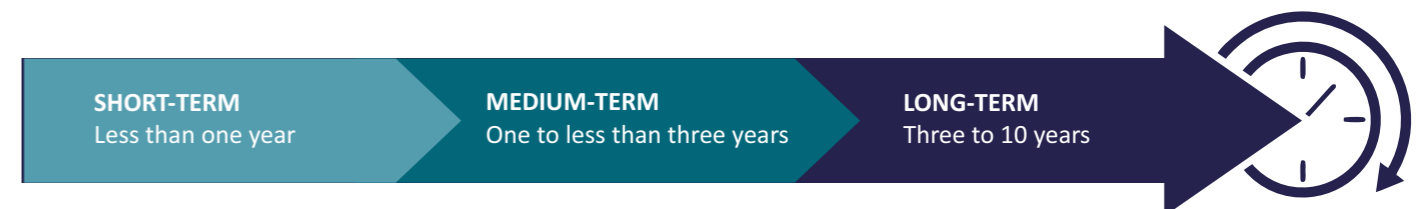
PASA employs the concept of materiality to determine the content and scope of this report. Using the materiality concept, issues, risks, and opportunities that can significantly impact PASA's sustainable performance across short, medium, and long-term horizons, are highlighted.

The information presented in this report is considered material, indicating its potential significant impact on PASA's ability to execute its strategy and generate value.

Materiality is the guiding principle that ensures this report provides stakeholders with the necessary information to make well-informed assessments of PASA's performance and long-term outlook.

 For a more in-depth understanding of how PASA determines materiality and the specific matters deemed material, refer to [page 32](#).

In this report, PASA categorises short, medium, and long-term as follows:



## REPORT THEME: Adapting to a transforming payments landscape

PASA is currently navigating a swiftly transforming operating landscape characterised by the emergence of new industry players and technological innovations. These dynamics significantly impact industry-wide initiatives aimed at modernising the National Payment System (NPS), all unfolding against the backdrop of a complex and fluctuating social, economic, and political environment.

Concurrently, as the industry pursues payment system modernisation, significant amendments to payments regulation and changes in how regulators choose to manage payment systems are underway. These regulatory shifts and other changes will influence PASA's future operating model, its membership, as well as its approach and role in payment systems modernisation. This includes the transition of PASA to a new Payments Industry Body (PIB), fully representative of all payment participants and service providers, aimed at ensuring interoperability through cooperation and collaboration among a diverse group of stakeholders.

Amid these changes, various industry-wide projects, including the establishment of the PIB, are setting new expectations for all stakeholders. However, the timing of regulatory changes remains uncertain, leading to uncertainty around the cadence of the PIB transition work and other reform execution. This challenge is further exacerbated by widespread capacity constraints experienced across the industry, necessitating the careful prioritisation and allocation of specialist skills for the successful execution of NPS initiatives.

In this dynamic environment, effective risk management and the identification of opportunities are crucial. This report reflects on how PASA is adapting to these changes, guided by its vision and purpose. Ultimately, PASA aims to fulfil its mandate, ensuring the maintenance of an efficient, trusted, and interoperable payment system that contributes to supporting the South African economy.

## FORWARD-LOOKING STATEMENTS

This report incorporates forward-looking statements regarding PASA's anticipated future performance and the outlook for the payments industry as a whole. While these statements reflect PASA's assessments and future expectations during this report's preparation, it is important to note that various emerging risks, uncertainties, and other critical factors may lead to actual results differing significantly from these expectations.

These factors encompass elements that could impact both business operations and financial performance, including both adverse and positive effects.

## APPROACH TO VALUE CREATION, PRESERVATION AND EROSION



### Value creation

PASA adopts a strategic approach to value creation, recognising that as a non-profit organisation funded by its Members, it plays a crucial role in ensuring the optimal functioning of the NPS for the benefit of South Africa. With a commitment to economic development, PASA organises, manages, and regulates its Members' participation in payment systems. Leveraging available financial and human resources, PASA balances competing priorities to maximise value creation and mitigate value erosion, continually striving to add value for Members, the SARB, and other stakeholders.

PASA's unique capabilities give it the capacity to act as a catalyst for modernising South Africa's NPS. It effectively manages a diverse portfolio of initiatives, contributing to payments capacity and knowledge creation at an industry-wide level. By managing payment systems on behalf of a collective and fostering collaboration among industry competitors, PASA demonstrates its commitment to value creation, ensuring the sustained efficiency and innovation of the NPS to benefit its diverse stakeholders.



### Value preservation

PASA preserves value by ensuring a well-maintained and efficient payment system. Preserving a resilient NPS is vital for South Africa's broader objectives, including financial access and a stable financial system.

PASA Council, as the custodian of good governance, oversees strategic direction, risk management, and resource allocation. This commitment ensures the execution of a strategy that emphasises ethical culture, effective control, compliance, and stakeholder engagement.



### Value erosion

PASA's strategy to safeguard against value erosion encompasses the protection of stakeholder value, preventing its reduction or destruction. The organisation recognises the crucial role of a safe and secure payment system in ensuring the financial stability of South Africa.

Given the technologically driven nature of the payments ecosystem, lack of resilience, cybercrime or fraud have the potential to undermine trust in the NPS, thereby impacting overall financial stability.

Through its risk management process, PASA mitigates value erosion by identifying areas of concern within the NPS and collaborates with other stakeholders, notably Members, SARB, BankservAfrica (BSA), Banking Association of South Africa (BASA), and increasingly, South African Banking Risk Information Centre (SABRIC), to ensure these risks, which include fraud and cybercrime, are managed and mitigated.

## NAVIGATING THE REPORT

READ MORE



WEB



Throughout this report, the following navigational icons are used to show the interconnectivity between core concepts and the various sections of this report. Working together and separately, these elements have the potential to impact (positive and negative) PASA's ability to create value over the short, medium, and long-term.

### Capitals

Financial, human, manufactured, intellectual, social and relationship as well as natural capitals facilitate every aspect of PASA's business and its ability to create long-term value.



#### Financial

PASA's financial capital is primarily based on the funding received from Members used to take the payments industry forward. PASA also has other income streams ring fenced for specific uses such as training and conferences income.



#### Human

PASA's human capital comprises its people, their competencies, experience and capabilities, as well as industry human capital, and payment skills development.



#### Manufactured

PASA's manufactured capital centres around the regulatory, legal, and contractual basis under which it operates to enable PASA to manage and modernise payment systems effectively.



#### Intellectual

PASA's intellectual capital is represented by its intricate end-to-end knowledge of payment systems, procedures and protocols, as well as its understanding of how to build industry consensus and how to coordinate multiple stakeholders.



#### Social and Relationship

PASA's social and relationship capital revolves around its connections with regulators, banks, fintechs, businesses, and consumers. Through collaborative dialogues and strategic discussions within the payments industry, PASA fosters relationships that contribute to its value proposition. By providing a platform for thought leadership and knowledge sharing, PASA actively contributes to the growth and evolution of the payments ecosystem while delivering tangible benefits to its stakeholders.



#### Natural

PASA's natural capital involves a low environmental impact and the broader societal impact it has through driving digital payments.



## Material matters



Changes to the regulatory environment



Payment system modernisation



Cybercrime and fraud prevention



Skills shortage and industry capacity



Resilience of the National Payment System



Increasing complexity of the payment ecosystem



New payment models and types of currency



Global harmonisation and regional integration



## Strategic focus areas



Industry structure and stakeholder equity



PASA's transition to the PIB



Payment system modernisation initiatives



Ensure and run an effective organisation



King IV™ principles

## Stakeholders



## Request for feedback

PASA welcomes your feedback on the contents and presentation of this report. This will enable the organisation to improve the quality and relevance of future reports.

Send feedback on reporting content to [pasa@pasa.org.za](mailto:pasa@pasa.org.za).

## IMPORTANT INDUSTRY ROLE PLAYERS AND STRUCTURES

### Important terms and abbreviations

This report incorporates a variety of frequently used terms and abbreviations. To facilitate comprehension, PASA has provided the following definitions, offering readers clarity on the meaning of each item.

<b>BASA</b>	The <b>Banking Association South Africa</b> advances the interests of the banking industry with its regulators, legislators and stakeholders, to make banking sustainable, profitable and better able to contribute to the social and economic development and transformation of the country.	<b>PCH PG</b>	A <b>Payment Clearing House Participant Group</b> manages operational matters for PCHs via PCH agreements, clearing rules and service level agreements.
<b>BSA</b>	<b>BankservAfrica</b> is an automated clearing house that provides interbank switching, clearing and settlement services to the South African banking sector in the context of its role as a Payment Clearing House (PCH) System Operator (PSO).	<b>PIB</b>	The <b>Payments Industry Body</b> refers to a new entity intended to replace PASA. The key purpose of the PIB will be to provide a structure that will ensure the maintenance of an interoperable middle-mile infrastructure through collaboration and cooperation among all participants in the payments landscape.
<b>CMA</b>	<b>Common Monetary Area</b> namely South Africa, Namibia, Eswatini and Lesotho.	<b>PSMB</b>	A <b>Payment System Management Body</b> organises, manages, and regulates the participation of its members in the payment system. The National Payment System Act gives the SARB the authority to recognise a Payment System Management Body, and PASA is currently recognised as the PSMB by the SARB.
<b>DCSP</b>	<b>Designated Clearing System Participants</b> may include non-banks specifically designated by the SARB to participate directly in one or more PCHs.	<b>PSO</b>	A <b>Payment Clearing House System Operator</b> conducts clearing operations on behalf of banks and designated clearing system participants. There are four authorised PSOs in South Africa: BankservAfrica, Strate, Visa and Mastercard.
<b>EMV</b>	<b>EMV</b> stands for Europay, Mastercard, and Visa. It is a global standard for credit and debit card payments based on chip card technology.	<b>SABRIC</b>	The <b>South African Banking Risk Information Centre</b> is a Non-Profit Company formed to assist the Banking and Cash-in-transit industries combat organised bank-related crimes.
<b>FATF</b>	The <b>Financial Action Task Force</b> leads global action to tackle money laundering, terrorist and proliferation financing. The 39-member body sets international standards to ensure national authorities can effectively go after illicit funds linked to drug trafficking, the illicit arms trade, cyber fraud and other serious crimes. FATF's Recommendation 16 applies to cross border and domestic payments.	<b>SARB</b>	The <b>South African Reserve Bank</b> is South Africa's central bank. The SARB's primary mandate is to protect the value of the country's currency in the interest of balanced and sustainable economic growth. In addition, the SARB has a statutory mandate to enhance and protect South Africa's financial stability.
<b>FSCA</b>	The <b>Financial Sector Conduct Authority</b> is the market conduct regulator in South Africa's Twin Peaks regulatory model implemented via the Financial Sector Regulation Act. The FSCA's jurisdiction includes all financial institutions that provide a financial product and/or a financial service as defined in the Financial Sector Regulation Act.	<b>SARS</b>	The <b>South African Revenue Service</b> is the nation's tax collecting authority. Established in terms of the South African Revenue Service Act 34 of 1997 as an autonomous agency, they are responsible for administering the South African tax system and customs service.
<b>Member</b>	A <b>Member</b> is a bank, mutual bank, branch of a foreign institution or Designated Clearing System Participant who is also a Member of PASA.	<b>SO</b>	A <b>System Operator</b> is an entity that is authorised to provide a service to any two or more entities (bank or non-bank) in respect of payment instructions.
<b>NPS</b>	The <b>National Payment System</b> is South Africa's set of instruments, procedures and rules that enable funds to be transferred from one financial institution to another. It connects financial institutions, businesses, and consumers, ensuring that money can seamlessly and effectively move in the economy.	<b>SSPG</b>	The <b>Settlement System Participation Group</b> which is a PASA structure manages the settlement rules related to all the PCHs.
<b>NPSD</b>	The <b>National Payment System Department</b> is a department within the SARB and is the regulator, supervisor, and overseer of the NPS. The NPSD is also the operator of the settlement systems SAMOS (South Africa's real-time gross settlement system) and SIRESS (the SADC's regional cross-border real-time gross settlement system).	<b>TPPP</b>	A <b>Third Party Payment Provider</b> is a non-bank entity that makes or collects payments on behalf of payers or beneficiaries.
<b>PASA Council</b>	<b>PASA Council</b> serves as PASA's governing body and is responsible for the effective governance of PASA and its structures. It delegates powers to Council Committees to assist it with executing its responsibilities.		
<b>PCH</b>	A <b>Payment Clearing House</b> refers to a legal arrangement between two or more system participants that governs the clearing and settlement of payment instructions between the participants.		

## PAYMENTS INDUSTRY PRODUCTS, SOLUTIONS, PROCESSES AND TERMS

<b>AC</b>	<b>Authenticated Collections</b> is a payment stream associated with DebiCheck where the mandate has been successfully authenticated by the payer.	<b>PayShap™</b>	The launch of the <b>PayShap</b> scheme on 13 March 2023 marked an important milestone in the payments journey for South Africa. <b>PayShap</b> is a new instant interbank digital payment offering for real-time, low-value credit payments. It was delivered through the Rapid Payments Programme. The clearing rules for PayShap are managed through the Rapid Payments (RP) PCH.
<b>AEDO</b>	The <b>Authenticated Early Debit Order</b> system enabled an account holder to mandate contracted, future-dated early debit orders using their debit card and PIN. In accordance with the SARB's second Amended Directive 1 of 2017, AEDO was sunsetted on 31 October 2021 and AEDO payment instructions were no longer permitted with effect from 1 November 2021.	<b>PIPC</b>	The <b>PASA International Payment Conference</b> is a premier event for industry leaders, experts, and policymakers, providing a platform for insights, technology discussions, and networking.
<b>API</b>	An <b>Application Programming Interface</b> is a set of defined methods and functions that allow one computer programme to 'talk' to another programme to consume data, perform actions or both. Working behind the scenes, APIs help to reduce the complexity of accessing technology systems and automate interactions between systems and apps.	<b>QR Code</b>	A <b>Quick Response Code</b> is a high-density, two-dimensional barcode that stores information and can be read by a digital device such as a cell phone. In this context, the QR code is used to initiate a payment.
<b>CBDC</b>	<b>Central Bank Digital Currency</b> is a form of money that is denominated in fiat currency (central bank money), in an electronic form, and which is a liability on the central bank's balance sheet similar to cash and central bank deposits.	<b>RM</b>	RMS, once separated from Authenticated Collections into its own payment stream, will be known as <b>Registered Mandate (RM)</b> .
<b>CoFI Bill</b>	The proposed <b>Conduct of Financial Institutions Bill</b> will not only replace conduct provisions in existing financial sector laws, but will build a consistent, strong and effective market conduct legislative framework for all institutions performing financial activities. It also incorporates the schedule of payments service providers who will be licensed in the new NPS regulatory regime.	<b>RMS</b>	The <b>Registered Mandate Solution</b> was introduced to enhance DebiCheck and accommodate electronic mandates that have not been authenticated (i.e. where consumers failed to respond to or declined DebiCheck authorisation requests).
<b>DebiCheck</b>	<b>DebiCheck</b> is an electronic mandate debit order collection capability that facilitates a more convenient and secure debit order environment. The scheme was designed to obtain authentication of all collection mandates by payers and subsequently enhanced to accommodate electronic mandates that have not been authenticated. It encompasses both AC and RMS payment streams.	<b>RP</b>	<b>Rapid Payments</b> are real-time low-value payments, currently only delivered through the PayShap scheme and managed by the RP PCH.
<b>EDO</b>	Debit orders are used by companies to collect money from a consumer's bank account on a recurring basis for payments such as insurance and investment policies. An <b>Early Debit Order</b> is processed immediately after a credit payment.	<b>RTC</b>	<b>Real-Time Clearing</b> is known by terms like Pay & Clear and Instant EFT to end consumers. It was the first real-time, low-value credit system in South Africa and will ultimately be fully replaced by PayShap and sunsetted.
<b>EFT</b>	An <b>Electronic Funds Transfer</b> enables money to be sent and received digitally across an online network. The stores of value do not have to be at the same financial institution to send or receive funds.	<b>RTGS</b>	All credit transfers of a value greater than R5 million must be processed through the <b>Real-time Gross Settlement System</b> .
<b>MyStandards</b>	Swift's <b>MyStandards</b> offers standards expertise and a collaborative web platform that allows banks, market infrastructures, and market practice groups to create, publish and share their message specifications and usage guidelines.	<b>SADC-RTGS</b>	The <b>SADC-RTGS</b> (formerly known as SIRESS) is the regional cross-border real-time gross settlement (RTGS) system in the SADC region. It is an automated interbank settlement system operated by the South African Reserve Bank, as appointed by the SADC participating member central banks.
<b>NAEDO</b>	The <b>Non-Authenticated Early Debit Order</b> system allowed qualifying service providers and consumers transacting with such service providers the equivalent benefit of AEDO, but without the PIN authentication requirement. In accordance with the SARB's second Amended Directive 1 of 2017, NAEDO was sunsetted on 31 October 2021 and NAEDO payment instructions were no longer permitted with effect from 1 November 2021.	<b>SAMOS</b>	The <b>South African Multiple Options Settlement</b> system, run by the SARB, facilitates the settlement of domestic individual high-value payment transactions, retail transaction batches, and bond and equity market settlement obligations. It is an automated system that settles obligations in real-time or in a delayed settlement arrangement.
<b>NPS Act</b>	The <b>National Payment System Act</b> provides for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in the Republic of South Africa.	<b>SASSA</b>	The mandate of the <b>South African Social Security Agency</b> is to ensure the provision of comprehensive social security services against vulnerability and poverty within the constitutional and legislative framework. It is responsible for paying social grants to grant recipients.

## PROCESS TO PRODUCE THIS INTEGRATED REPORT

The formulation and presentation of the report are regulated by PASA Council and coordinated by the Executive Committee (ExCo).

This collaborative effort guarantees the efficient coordination of report content, presenting a holistic perspective on PASA's performance and advancements throughout the financial year.

## REPORT APPROVAL AND ASSURANCE

The ExCo meticulously prepared and verified the information contained in this report, ensuring an accurate, balanced, and comprehensive overview of PASA. All financial data presented here is derived from the annual financial statements, which were duly audited by PASA's independent auditors, Moore Infinity Inc. Subsequently, the Audit Committee thoroughly reviewed the annual financial statements and recommended them for approval to PASA Council.

Recognising their role as the governing body, PASA's Councillors acknowledge their responsibility to guarantee the integrity and completeness of both the integrated report and the annual financial statements.

Councillors express confidence that this report provides an accurate and material account of PASA's performance and strategic direction, addressing all pertinent matters. PASA Council formally approved this report on 16 May 2024.



Sydney Gericke  
Chairperson



Ghita Erling  
Chief Executive Officer



Driving innovation through  
creative collaboration  
and partnerships.



## Q&A WITH THE HEAD OF THE SARB NATIONAL PAYMENT SYSTEM DEPARTMENT



Tim Masela  
Head of the SARB National Payment System Department

*“As the SARB, we are committed to fostering an inclusive and efficient payment system that serves the needs of every South African. Our ongoing regulatory reforms and collaborative efforts with industry stakeholders are pivotal in driving transformative changes aligned with our Vision 2025 goals, ensuring safe, accessible, and cost-effective payment services for all.”*

Industry participants continue to face challenges in aligning around common goals due to competing objectives, technological advancements, and the persistent threats of cybercrime and fraud. However, despite these difficulties, the industry has demonstrated resilience and collaboration, prioritising critical projects essential for advancing the NPS in alignment with the overarching SARB Vision 2025 goals. This concerted effort aims to ensure the development and maintenance of safe, efficient, and cost-effective payment systems catering to all segments of the South African economy amid the rapidly changing economic landscape.

## What were some of the highlights for the year aligned with the SARB Vision 2025 goals?

### Progress in transitioning PASA to the Payments Industry Body

A significant highlight of 2023 was the progress made towards the transition from PASA to the PIB, accompanied by regulatory reforms fostering an inclusive payment system environment. This transformative journey, facilitated and coordinated by PASA, signifies a pivotal shift towards a more modern, efficient, and inclusive payments ecosystem, supporting the country's economic growth and financial inclusion objectives.

While the transition process is ongoing, significant milestones have been achieved. The payment system community has signed off all the artefacts necessary for establishing the PIB. In September 2023, the SARB issued a crucial "no-objection" for the implementation of the proposed PIB design, marking a significant step forward.

PASA, in collaboration with the SARB and other relevant stakeholders, is currently working on mapping out transitional arrangements to ensure a smooth transition to the desired state. This transition marks a shift towards inclusivity within the payment system, making it possible for non-banking entities to actively participate in shaping the future of payments in South Africa.

### Strengthening the DebiCheck system

In recent years, PASA has spearheaded industry efforts to combat debit order abuse and enhance payment system security. This included the implementation of the DebiCheck system and revisions to collection system rules aimed at eradicating debit order abuse.

In the past year, significant progress has been made in solidifying the effectiveness of the DebiCheck system, with ongoing enhancements to support low levels of authentication for remote transactions and improve overall risk management. Additionally, efforts are underway to further refine the Debit Order Rule Framework, enhancing fairness and consistency within the system.

## Rapid Payments Programme

The RPP represents a multi-year initiative aimed at modernising South Africa's payments infrastructure. Supported by PASA, in collaboration with various industry participants, the RPP endeavours to enhance the efficiency and accessibility of the country's payment ecosystem. A pivotal milestone within the RPP was the introduction of PayShap, a new real-time retail payment system launched in March 2023.

PASA, alongside BSA and industry stakeholders, facilitated the implementation of PayShap, marking the first industry delivery under the RPP. Despite initial challenges in ramping up the system during its first phase, efforts are underway to introduce additional enhancements in the second phase. It requires a broader digitisation strategy aimed at expanding infrastructure reach, encouraging the transition from cash to digital payments, and enhancing consumer education.

The introduction of proxy payments further complements the PayShap offering, enabling seamless digital payments through registered proxies, typically a person's cell phone number. These enhancements will optimise the effectiveness of PayShap and ensure its success.

## What are the key trends influencing the payments landscape and how is the payment industry responding to these trends?

The payments landscape in South Africa and globally is shaped by several key trends that drive changes in consumer expectations and industry standards. These trends include the demand for frictionless payments, characterised by factors such as cost, speed, access, and transparency. Consumers increasingly expect payment systems to be convenient, safe, and efficient, with transactions processed in real-time and accessible anytime, anywhere.

In response to these trends, the payment industry is focusing on enhancing payment systems to meet evolving consumer demands.

### KEY AREAS OF FOCUS INCLUDE:

- Speed:** Consumers expect real-time payment methods that enable transactions to be completed within seconds. The industry is working towards providing instant services to meet these expectations.
- Cost:** There is a growing demand for low-cost digital payment options to make transactions more affordable for consumers. Initiatives such as PayShap, which offer certain transactions free of charge, exemplify efforts to stimulate competition and drive cost-effectiveness in the payment ecosystem.
- Access:** Payment systems need to be widely available, supporting transactions both offline and online to ensure accessibility for all consumers.
- Transparency:** Timely receipt of payments is crucial for ensuring transparency in financial transactions. Efforts are underway to address domestic and cross-border payment challenges while also considering money laundering controls to maintain integrity within the payment system.

## How is the South African payments industry progressing towards achieving the goals of Vision 2025 and what does the future hold?

The South African payments industry is actively progressing towards achieving the goals outlined in Vision 2025, with a particular focus on interoperability, regulatory reforms, and the transition from cash to digital payments.

### Interoperability goal

Efforts are underway to create integrated systems that seamlessly interface with each other, facilitating seamless payments across different platforms. The regulatory framework being finalised and ongoing regulatory reforms seek to embed and entrench interoperability principles. Solutions such as PayShap are designed to address this challenge by connecting to various platforms, enabling interoperable money transfer solutions.



## Regulatory reforms

Advocacy efforts are centred around transitioning from entity-based regulation to activity-based regulation, ensuring a level playing field for all participants in the payments value chain. An enabling regulatory framework promotes competition and innovation, providing a fair and consistent environment for banks and non-banks alike.

## Transition to digital payments

The SARB has developed a draft digitisation roadmap aimed at transitioning from cash to digital payments. This roadmap assesses areas where cash usage is prevalent and explores attractive digital alternatives to promote financial inclusion. By addressing these challenges, the SARB believes that consumers will have broader access to digital services, including borrowing, lending, and insurance, ultimately aligning with the goals outlined in Vision 2025.

## Expansion of payment options

Presently, payments are constrained to transactions between traditional bank accounts, limiting consumer choice and accessibility. Entities seeking to provide alternative stores of value, such as digital wallets, face regulatory hurdles as the current framework mandates banking licenses for such services. This regulatory requirement stems from the need to protect funds, as only banks are subject to stringent regulations ensuring the safety of stored money.

To address this limitation and promote financial inclusion, there is a push to establish regulatory reforms allowing non-banking entities to offer secure stores of value without the need for full banking licenses. These reforms aim to broaden the scope of regulated entities capable of providing secure stores of value, fostering innovation and enhancing financial accessibility for consumers.

## Advancing payment technologies and future prospects

Efficient and secure payment methods, such as QR codes, are gaining traction within the South African payments landscape. It is our quest to have standardised QR codes to seamlessly integrate them into the system, delivering tangible benefits.

Additionally, the integration of open banking will empower non-bank service providers with secure access to customer information, enabling the provision of value-added payment services.

Furthermore, the evolving landscape of digital currencies, encompassing crypto assets, stablecoins, and CBDCs, is being strategically explored to enhance the payments ecosystem while effectively managing associated risks.

Looking forward, discussions within the SARB are actively shaping a plan to develop a vision for the payment system that extends beyond 2025, with a strategic outlook spanning five to ten years.

Tim Masela  
Head of the SARB National Payment System Department

## MESSAGE FROM THE COUNCIL CHAIR

*“The finalisation of the PIB recommendations and receiving the ‘no objection’ letter on the PIB Report from The National Payment System Department of the SARB was no doubt the highlight for the year.”*

### Accelerating payments modernisation and the establishment of the PIB

PASA Council is delighted that the PIB recommendations and design framework, which takes account of the proposed regulatory changes, have been approved and that the establishment of the PIB, which will be good for the NPS and improve financial inclusion for all South Africans, can now proceed.

We are eagerly awaiting the amendments to the NPS Act and the promulgation of the CoFI Bill, which will provide legal certainty and result in PASA being replaced with the PIB.

Council is very aware of the transition risks relating to repurposing PASA into the PIB. Alongside the extensive payments modernisation portfolio emanating from the PASA stakeholders' vision and roadmap, this transition will place considerable pressure on the capacity of PASA and its stakeholders.

Although Council has approved additional project funding, and for the appointment of additional capacity as requested, we will continue to provide guidance and support to the PASA ExCo to reduce the implementation risk of both these significant initiatives.

### PASA Council continues to strengthen its oversight and governance role

During the year there was an opportunity to further enhance the composition of PASA Council and its Committees from a skills, experience and diversity perspective.

PASA Council is delighted to welcome Fay Mukaddam and Thami Moatshe who joined Council as Independent Councillors in June 2023. Both Councillors have unique skills and experience which will greatly assist Council in its governance and oversight responsibilities during the period ahead.

PASA Council bid a regretful farewell to Nolwazi Dhlamini in June 2023 as the Alternate Councillor for Bidvest Bank together with



Sydney Gericke  
Council Chair



Charl Smedley, who stepped down as Principal Councillor for Absa in October 2023. We are delighted to welcome Richard Stocken to Council as the new Absa Principal Councillor nominee.

PASA Council regularly reviews the composition of Council Committees and made a number of changes to the Committees during the year. The Audit, Risk and Remuneration Committees have all been strengthened through new appointments, enhancing their effectiveness. PASA Councillors have demonstrated their extensive experience and high levels of engagement for which I am grateful.

### Looking ahead: Continue to deliver value to all stakeholders

PASA, leveraging its well-established industry-wide collaboration and coordination with stakeholders, is actively fostering consensus on the payments modernisation project portfolio. This includes prioritisation and the sequence of execution orders, aiming to optimally manage industry capacity demands and maximise value delivery to the NPS. Council will continue to provide support and oversight to PASA in their execution of the agreed project portfolio.

Council will continue to focus on employee resilience and change readiness for the transition to the PIB. PASA has outstanding people to lead through the transition and a detailed transition plan which is under development will further support a smooth implementation.

The payments industry by way of its stakeholders has recently provided overwhelming support for the current legal-entity structure of an Association to be retained, which will assist in de-risking the transition to the PIB.

### Appreciation and thanks

Finally, I would like to thank the management and all PASA employees for their hard work and dedication to the organisation throughout 2023. No doubt, Member interests and that of our Regulator were well-served.

On behalf of PASA Council, I would like to thank and acknowledge PASA Members, the SARB NPSD and PASA stakeholders for their ongoing trust, support and collaboration with PASA toward the betterment of the NPS.

To PASA Councillors, I want to thank you for your time, expertise, guidance and unfailing commitment to the high standards of engagement and oversight displayed during 2023.



Sydney Gericke  
The Council Chair

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

*“In a landscape of accelerating change and complexity, PASA continues to thrive, delivering consistent value to our stakeholders amid significant industry shifts.”*

### 2023 Performance

In 2023, PASA's activities were categorised into four pillars: (1) fulfilling PASA's mandate and ensuring its sustainability, (2) driving the modernisation of payment systems, (3) transition from PASA to the PIB and (4) maintaining an effective organisation.

In line with our aspirations to be a high-performance, learning organisation, we have significantly matured our performance culture and the disciplines associated with committing to performance targets and fairly assessing delivery against those targets. This maturity is reflected in the good PASA performance in 2023, with most targets successfully achieved, and improved consistency in target achievement compared to previous years.

Highlights for 2023 include the launch of PayShap to the market; the receipt of a ‘no objection’ to the PIB Design from the SARB, which creates a much greater level of certainty for the PASA (PIB) outlook; and the over-subscribed and well-received PASA International Payments Conference (PIPC).



Ghita Erling  
Chief Executive Officer

### There are, however, two areas where we did not achieve the same high standard of delivery:

- We had to halt the replacement of the PASA Member Portal, a core deliverable in the overall digitalisation of PASA, due to vendor performance issues. The detailed specifications that had already been delivered have been used to procure a new service provider and the project has restarted. This initiative is on the critical path for the transition from PASA to the PIB, as the anticipated increase in member numbers will be unsustainable without reasonable levels of automation and without giving members the ability to manage their own representatives in the various PASA structures.
- The project to update PASA rules and ensure that they are aligned with current regulations and each other has taken longer to conclude than was hoped. Given the slow progress in rule reviews, as well as the overwhelming dependency of almost all PASA industry initiatives on updates to rules, PASA created a legal prioritisation forum, which incorporates stakeholders from all the impacted areas, including the PCH PGs and the project steering committees. The prioritisation forum determines the allocation of scarce PASA and industry legal resources across competing priorities.

Aside from the annual focus areas outlined in the PASA scorecard, PASA has been working on multi-year initiatives which incorporate generally improved quality of work, as well as steady progress towards our ‘Cathedral statements’ (see [page 37](#)).

### Fulfilling PASA's mandate and safeguarding its sustainability

#### PASA's transition to the PIB

Receiving the SARB's ‘no objection’ to the PIB design stands out as a significant achievement, underscoring the endorsement of the proposed structure and governance framework for the PIB. Despite this milestone, and good progress in planning the project, implementation timeframes remain uncertain given the dependency on legislation changes.

Our 2023 focus was on compiling a comprehensive implementation plan detailing the transition of PASA's current operations to the PIB. Considerable effort has gone into simplifying the project and breaking dependencies across activities, as well as obtaining certainty on technical components, such as the tax exemption for the PIB. The implementation plan uses critical legislative milestones, such as the tabling of the impending CoFI Bill in parliament, as triggers for various streams of activity.

Significant effort continues to be put into ensuring that PIB stakeholders remain committed and engaged in the transition journey. Further detail on this can be found on [page 24](#).

Supporting modern, safe and efficient payment systems to enable economic growth.



## NPS resilience

PASA's commitment to a resilient NPS remains unwavering. Recognising the global imperative surrounding NPS resilience, particularly given the increase in severe weather events, PASA collaborated with key stakeholders to formulate contingency plans for 'black swan' disasters impacting payment systems.

Collaborative efforts with industry members aim to elevate NPS resilience, ensuring uninterrupted service in the face of extreme events which could affect electricity and connectivity, both being fundamental pillars of digital payments.


## Driving payment system modernisation

### Debits and credits modernisation

While debits modernisation has made significant progress in the last few years, and the industry roadmap has been agreed for the coming year, more work is required in planning credits modernisation. The launch of PayShap was a first step in modernising real-time credit payments. Work is now required to determine the modernisation journey for batch credit payments. Collaborative efforts between BSA, BASA's payment modernisation work, and PASA, are ongoing to this end.

As part of this modernisation work, PASA has experimented with new approaches to rapidly building industry consensus. Engaging all PASA structures collectively within the debit environment facilitated rapid alignment on guiding principles, which resulted in Member acceptance of the debits work portfolio for the foreseeable future being obtained in a matter of weeks.

## Modernisation alignment

 As articulated on [page 40](#), the NPS is constituted of multiple stakeholders, all of whom are impacted by modernisation initiatives. Obtaining directional and roadmap alignment across all these stakeholders is a complex and ongoing effort but is essential to the delivery of the modernisation programme. PASA continues to work with the various stakeholders to this end and views agreement on direction and priority as key success factors to achieving the modernisation of the NPS.

## Running an effective organisation that delivers good performance and manages risk

### Driving a high-performance culture

The landscape of payments is evolving rapidly, characterised by increasing complexity. The growing demands and expectations placed on PASA's employees necessitate a fundamental shift in our organisational culture. To remain relevant in this dynamic environment, we are committed to fostering a culture that empowers our people with the adaptability and resilience needed to thrive.

A dipstick assessment of our employee engagement was conducted in the latter part of 2023 and the results are currently being analysed to inform targeted response strategies. PASA executives and the management team are engaged in coaching sessions aimed at promoting a culture of accountability and courageous conversations.

Further to the performance management measures outlined above, in 2023 our reward structures were realigned to ensure that outstanding performance is duly acknowledged and rewarded, and that poor performance is appropriately managed. These changes include an updated Remuneration Policy which mandates budgeting to enable reward for exceptional performance.

### Mature risk framework and processes

PASA has matured the risk function significantly over the last three years. The development of risk acceptance protocols in 2023 was an important step in further enhancing the PASA risk frameworks and practices. Employee education is an ongoing focus area to ensure that everyone understands their accountability to comply with PASA policies, to manage PASA risks, and to be aware of the ever-evolving cybersecurity threats.

## Looking ahead to 2024

It is already clear that 2024 will continue to bring material changes to the way in which the NPS is governed and run. PASA, and ultimately the PIB, will continue to play a critical role in the management of interoperability in the NPS and in coordinating the broader payment community.

Despite unclear timelines for enabling legislation, the outlook for the transition to the PIB is considerably more stable and well-defined. PASA is working closely with the SARB's 'PSMB Transition Committee' to assist with the pending regulatory reforms and ensure that there is alignment between regulatory and PIB transition project activities.

Key PIB transition deliverables on our agenda include drafting the constitution which will give effect to the PIB and defining target operating models for member structures and the PIB organogram. The transition project is being managed on an agile basis to mitigate the risks associated with potentially extended and unknown timeframes.

An essential delivery focus will be on the development of the new Member Portal to facilitate new member onboarding and management.

Finally, the industry's pursuit of NPS modernisation will continue unabated, driven by a sense of urgency to improve financial inclusion and to enhance the capabilities of the NPS to track and prevent financial crime. PASA is well-positioned to support the industry in these endeavours.

## Note of appreciation

The SARB remains a cornerstone of our ability to fulfil our mandate effectively. On behalf of PASA, I extend our heartfelt gratitude to the SARB for their continued confidence in our ability to serve South Africa and to implement the inclusive PIB design.

We also extend our sincere appreciation to our Members and the broader payments community for their ongoing support and open engagement. Your collaboration is instrumental as we navigate towards a new era of payments in South Africa.

To the esteemed members of PASA Council, we express our gratitude for providing robust governance and exceptional support to the PASA management team. Your guidance has been invaluable in steering our organisation through times of change and growth.

Lastly, I extend my heartfelt thanks to every PASA employee. Your dedication, energy, and commitment to excellence amid pressure are truly commendable. It is through your expertise and resolute focus that PASA continues to thrive and deliver value to our stakeholders.

Ghita Erling  
Chief Executive Officer

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER



*“PASA is committed to responsibly managing its financial resources to support and act in the best interests of the NPS and to deliver value to its Members. To provide optimal value for Member investment, PASA invests in essential initiatives crucial to its core functions, which ensure sustainability, and are in line with directives from the SARB or industry demands.*

*In 2023, the emphasis was once again focused on our people as one of our key investments. Central to responsibly managing our financial resources is the transition to the PIB, which represents a critical turning point for PASA in the years ahead. Efforts to capacitate our human resources for this transition will be paramount, alongside initiatives aimed at retaining key personnel within the organisation.”*

Cosmore Pariola  
Chief Financial Officer

### Reflecting on 2023 and PASA's key investment areas

Employee-related costs, including consultants, remained the predominant component of our expenses, comprising 69% of our total expenditure.

#### Other notable expense-impacting developments include:

- Good progress was made in recruiting for our human capacity building initiative approved and budgeted for spend in 2023.
- Legacy technology in the form of the old PASA external website has been replaced with modern, sustainable technology, ahead of committed timelines and at a reasonable cost.
- Delays in the digitalisation efforts of our new Member Portal led to the appointment of a replacement implementation vendor.
- Investment in further enhancing our cybersecurity environment.
- In line with best practice, key finance policies were reviewed to ensure they are up to date, thereby further professionalising PASA's systems, processes and procedures.
- The following policies were approved by the Audit Committee:
  - The PASA Finance Policy.
  - The Procurement Policy - Training on the updated policy will be automated on LMS (learner management system) and will be made compulsory for all PASA employees to be familiar with its expectations.
  - The PASA Debt Recovery Policy.
  - The PASA Investment Policy.


There was a marked improvement in the quality of financial reporting and in 2024 the emphasis will be on further improvement of expenditure forecasting disciplines.

### Investment in human capital

A key investment focus area is building and preserving our human resources (HR) and investing in change management. In 2023 we invested R87.6 million in employment costs for full-time employees and consultants (FY2022: R90.6 million). Employment costs for 2022 are higher than 2023 due to a once-off PIB-related retention incentive created. R1.5 million was invested in training and developing our people (FY2022: R0.8 million).

### Capacity building (industry and internal)

PASA employs diverse channels to foster skills development within the payments industry. The PASA Academy serves as a cornerstone in enhancing industry capacity. Internally, ongoing initiatives aimed at strengthening payment expertise include the implementation of a comprehensive training plan to address on-the-job training, and a well-established bursary programme.

 Read more about our material matter relating to skills shortage and industry capacity on [page 34](#).

### Recruitment

A strategic emphasis was placed on recruitment to fill vacancies, recognising that this not only enhances PASA's capabilities but also nurtures skill development within the payments industry, fostering a mutually beneficial scenario for both PASA and the industry at large.

We continued to make use of consultants (2023: R11.9 million and 2022: R12.2 million).

### Investment in the transition to the PIB

Our second focal point of investment is the PIB. Over the past three years, approximately R21.0 million of PASA funds have been allocated to facilitate its design and transition (2023: R5.7 million; 2022: R8.7 million; and 2021: R6.4 million).

This project remains resource-intensive for PASA. To effectively manage the PIB transition, PASA has augmented its capacity by temporarily recruiting a PIB programme director. This addition enhances our ability to support and oversee the planning and initial execution phases of the transition. Furthermore, PASA enlisted the expertise of a consulting firm to design the transition plan and identify workstreams, to facilitate project mobilisation and the commencement of the execution phase. Looking ahead, we anticipate an additional investment of approximately R16.4 million in the coming year to ensure the provision of critical functions and continuity of service provision into the PIB.

### Investment in the digitalisation journey

We are currently embarked on a journey to launch a refreshed Member Portal on a digital platform, aiming to automate, simplify, and enhance the capabilities and services provided to the industry by PASA. Regrettably, we encountered delays during the development phase, impacting the project's delivery timeline. Despite implementing various interventions to address these delays, they proved unsuccessful. Subsequently, a new vendor has been appointed, and the project completion time has been revised, with work now underway again. Anticipating the need for an additional investment of R13.1 million, we aim to deliver the new Member Portal by Q1, 2025. To date, approximately R1.3 million has been spent on the project. Additionally, other IT spend amounted to R5.6 million (FY2022: R5.5 million).

### Unpacking our financial performance

#### Annual membership contributions

Efforts to strengthen financial controls continue, with no significant issues detected following the introduction of an automated calculator used for invoicing 2023 member fee, totalling R122.7 million (FY2022: R117.1 million). However, challenges arose during the validation of 2024 membership fees data. Consequently, in 2024, our focus lies on enhancing membership invoicing processes to ensure improved efficiency, with a particular emphasis on data validation at source. Furthermore, with the review and approval of the Debt Recovery Policy, which streamlines the collection process, we are committed to adhering strictly to debt collection practices.

In alignment with our commitment to prudent spending, the 2024 budget was formulated with careful consideration of the prevailing economic conditions. After utilising reserves accumulated over previous years, there is a net decrease of 3.7% in our membership fees of R118.1 million for 2024 (FY2023: 4.9% increase).

The chart depicts the percentage contribution of each main category of expenses to the total actual expenditure of R128.8 million in 2023 (comprising R117.9 million for normal operations and R10.8 million for special projects/deferred income). In comparison, the total actual expenditure in 2022 was R121.8 million (comprising R120.8 million for normal operations and R1.1 million for special projects/deferred income).

PASA's 2023 expenses %	2023	2022
Employee costs (excluding consultants)	60%	64%
Consultants	9%	10%
PIB	4%	7%
Special projects (ring-fenced costs)	8%	1%
Other expenses (recruitment, depreciation, MyStandards platform)	6%	7%
Information technology	4%	4%
Remaining expenses	9%	7%

The proportional allocation of expenses largely mirrors that of the prior year. However, there have been notable shifts, including a decrease in the proportion of employee costs from 64% to 60%, and a corresponding increase in the proportion of special projects (ring-fenced costs) from 1% to 8%. These special projects encompassed PIPC, as well as initiatives for industry learning and capacity development. In 2023, expenses totalling R6.4 million were incurred for PIPC, a biennial event, compared to incidental expenses of R0.1 million in 2022. Similarly, expenses for industry learning and capacity development amounted to R5.0 million in 2023, compared to R1.0 million in 2022. Both initiatives are self-funded, and their net income is ring-fenced as deferred income. PIPC generated a net income of R0.5 million, while industry learning and capacity development incurred a net loss of R0.5 million. Currently, we are enhancing our offerings and reassessing pricing in the industry learning and capacity function to ensure improved returns in the future.

A clean external audit was achieved with no significant findings.

### Looking ahead


Investing in our people remains a paramount priority for PASA, as the achievement of organisational goals heavily relies on a well-capacitated workforce. Consequently, employee wellness and change management will continue to receive significant focus. PASA's commitment to bolstering industry capacity remains an ongoing endeavour.

The transition to the PIB will remain our second largest investment, ensuring the uninterrupted provision of critical functions and services into the PIB era.

Driving further progress to deliver the Member Portal stands as a high priority for PASA as we advance on our digitalisation journey. This initiative is particularly crucial as we prepare for the transition to the PIB, anticipating a substantial increase in our member base.

### Appreciating our stakeholders

I extend our sincere gratitude to our Members for their ongoing support and partnership, which are pivotal to our success. We eagerly anticipate the continued collaboration and engagement in the year ahead. To the PASA Council, Council Committees and PASA management team, we express our heartfelt appreciation for the guidance, support, and invaluable input that enable us to effectively serve the broader payment ecosystem. Lastly, and very importantly, we acknowledge the dedication and resilience of our committed team members, whose excellence in navigating the evolving landscape is truly commendable. As we anticipate the changes accompanying the transition to the PIB, we remain confident in our collective ability to navigate them successfully.



Cosmore Pariola  
Chief Financial Officer



**The PASA International Payments Conference was a resounding success in 2023. The event offered a platform to explore uncharted territories, push the boundaries of what is possible, and pave the way for a brighter future in the rapidly transforming payments ecosystem, locally and globally.**



## PASA'S ROLE IN THE SOUTH AFRICAN PAYMENTS LANDSCAPE

PASA, recognised by the SARB as the PSMB, plays a pivotal role in the South African payments landscape. PASA organises, manages and regulates its Members' activities within the NPS, adding substantial value strategically, operationally, and from a delivery standpoint.

### Collaboration with the SARB

PASA collaborates closely with the SARB, contributing to the regulation and management of clearing and settlement systems. This collaboration aligns with PASA's commitment to ensuring the safety, stability, and efficiency of the NPS.



## PASA'S OPERATIONS

### Inform and implement the future of payment systems

In line with policy and regulatory strategic direction through documents, such as Vision 2025 and through Member-initiated programmes.

### Manage payment systems

By enabling Member and industry collaboration, managing risk and business continuity for the NPS, and ensuring that the needs of consumers and businesses are protected through the creation and enforcement of policies and rules.

**PASA structures its operations around four core areas**

### Facilitate the delivery of industry initiatives

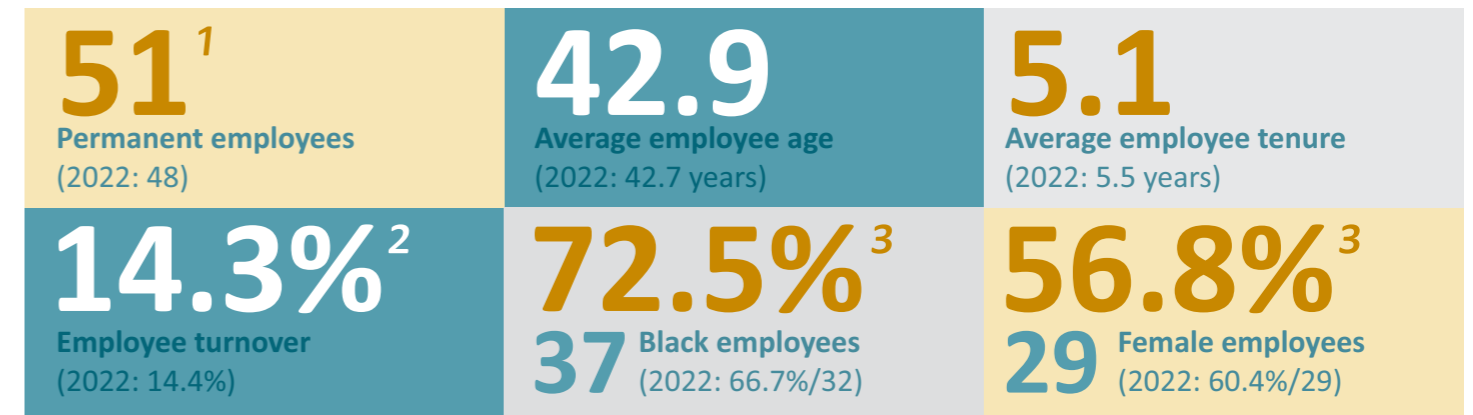
In line with policy and regulatory strategic direction through documents, such as, Vision 2025 and through Member-initiated programmes.

### Support the payments industry

Through education, awareness, communication, and industry capacity building.

PASA recognises the critical role of its employees in achieving its strategic objectives, particularly as it navigates the transformative journey of transitioning to the PIB. PASA's diverse, skilled, and dedicated workforce is at the heart of its success.

## A snapshot of PASA's employees on 31 December 2023



PASA requires specialist skills to successfully execute its strategy and projects, including specialised technical, business, legal and regulatory skills relating to the payments industry.

- The workforce of 51 employees comprises seven executives, 33 employees who are professionally qualified and 11 who are skilled. The total approved head count for 2023 is 58 permanent employees. Efforts are underway to ensure the seven vacancies are filled in a timely manner. However, this continues to be a challenge given scarce payment skills as noted as people risk on [page 30](#) and material matters on [page 34](#).
- Reducing employee turnover continues to be an area of focus, noting that in 2023 there was no regression in the turnover rate. Several initiatives are underway in further investing in people and organisational health, refer to [page 39](#) and [page 42](#) for details on this material concern and expectations.
- There is a notable improvement in the diversity, inclusion and employment equity of the workforce. The year ended with 37 [72.5%] (2022: 32 [66.7%]) black employees. The female population is well represented at 29 [56.8%](2022: 29 [60.4%]).

## Diversity, inclusion and employment equity

PASA level		Workforce 12/2022				Workforce 12/2023				Foreign National	Foreign National	Total
		A	C	I	W	A	C	I	W			
Top management	2022	0	0	0	2	2	0	0	1	0	1	6
	2023	0	0	0	2	2	0	1	1	0	1	7
Senior management	2022	0	0	0	0	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified	2022	1	2	5	5	6	1	3	5	1	0	29
	2023	5	2	5	4	6	0	6	4	1	0	33
Skilled	2022	3	0	0	0	4	4	0	1	0	0	12
	2023	3	0	0	0	4	3	0	1	0	0	11
Semi-skilled	2022	0	0	0	0	1	0	0	0	0	0	1
	2023	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	2022	4	2	5	7	13	5	3	7	1	1	48
	2023	8	2	5	6	12	3	7	6	1	1	51
Temporary employees	2022	0	0	0	0	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	2022	4	2	5	7	13	5	3	7	1	1	48
	2023	8	2	5	6	12	3	7	6	1	1	51



## LEGAL FRAMEWORK AND REGULATORY STRUCTURE FOR THE NATIONAL PAYMENT SYSTEM

Due to the importance of the payment system to the economy, appropriate regulation is essential to ensure the safety, soundness and efficiency of the NPS.

Effective regulation starts with a sound legal framework. The relevant legal framework and constructs are provided below.

The **SARB Act** mandates the SARB to oversee the regulation of the NPS and to ensure its safety, soundness and efficiency.

In turn, the **NPS Act**, which was promulgated in 1998, mandates the SARB to recognise a PSMB to organise, manage and regulate its members participating in the NPS. PASA is currently recognised as the PSMB by the SARB.

In turn, **PASA's Constitution** governs its functions, structures and activities, with further rules affecting its members in the form of PASA clearing rules, policies and position papers.

In the PASA environment, the legal foundation governing participation in a particular payment system is contained in a **PCH agreement**. The specific transaction types and applicable Clearing Rules relevant to each PCH are agreed upon among members forming part of a Participant Group (PG), which is responsible for one or more PCH agreements.

The PCH PG is also responsible for the appointment of one or more PSOs for each PCH, which are authorised by PASA to facilitate the clearing of payment instructions between the banks. The participation of members and the PSO is further managed through adherence to **Service Level Agreements (SLAs)**. Transactions cleared through the PSO are eventually settled at the SARB through the RTGS system called SAMOS.

This framework is depicted in the diagram below:

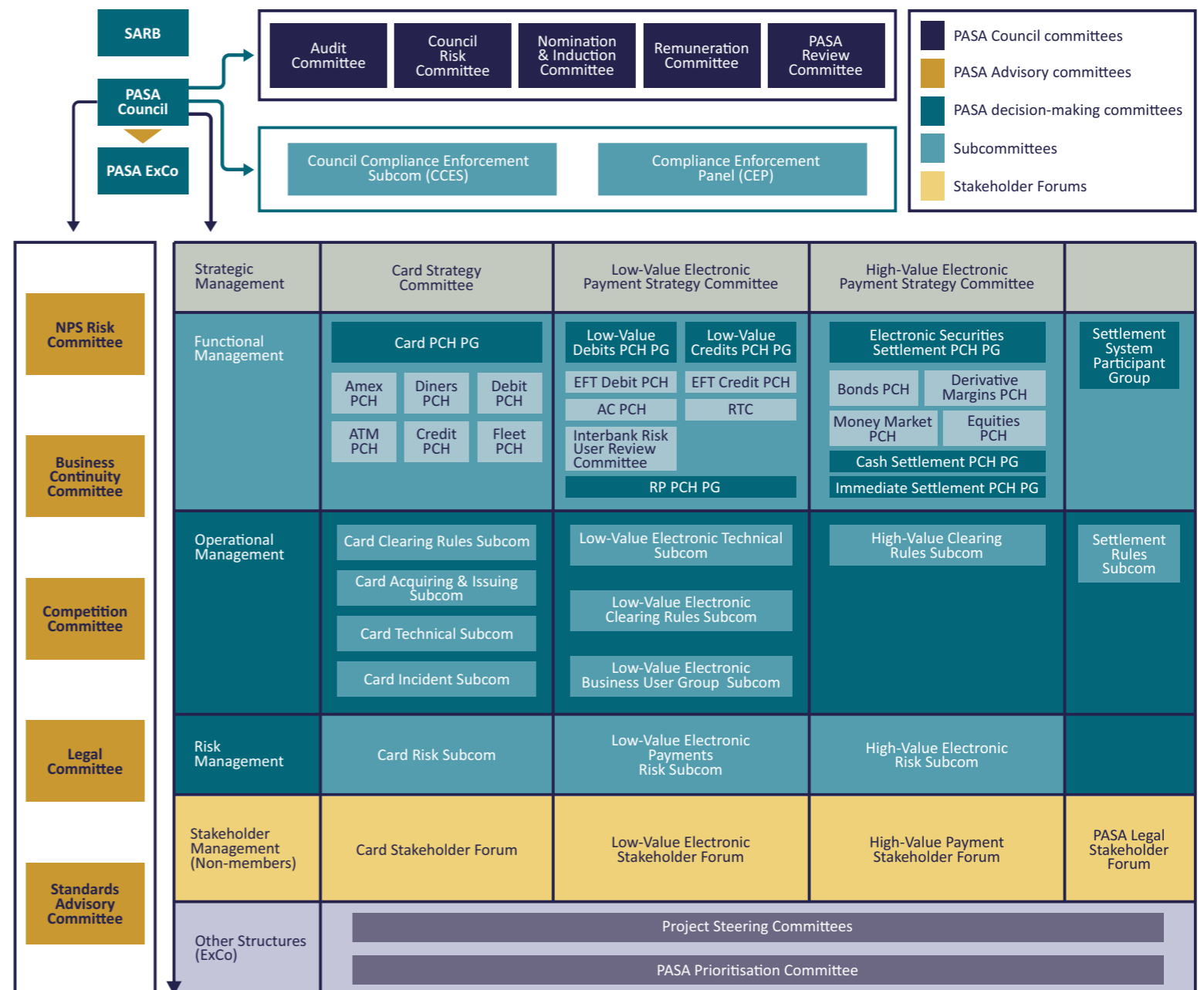


The SARB is responsible for ensuring the safety and soundness of the NPS, which is the backbone of South Africa's modern financial system.

## PASA'S CONSTITUTION AND STRUCTURES

PASA's constitution creates PASA as a voluntary association with a separate legal personality from that of its members and officers. It further lays out the basis on which PASA operates, including the rights and obligations of members. PASA's members are bound by these obligations and all the applicable PASA rules, which include the PASA Regulatory Framework and the clearing rules for individual payment streams. PASA has a governing body called PASA Council, which approves strategy and oversees implementation and execution. PASA Council has delegated some of its powers to PASA Structures, which include PCH PGs and strategy forums. PASA Council has also delegated some of its authority to a Chief Executive Officer (CEO) who is responsible for managing PASA's day-to-day operations.

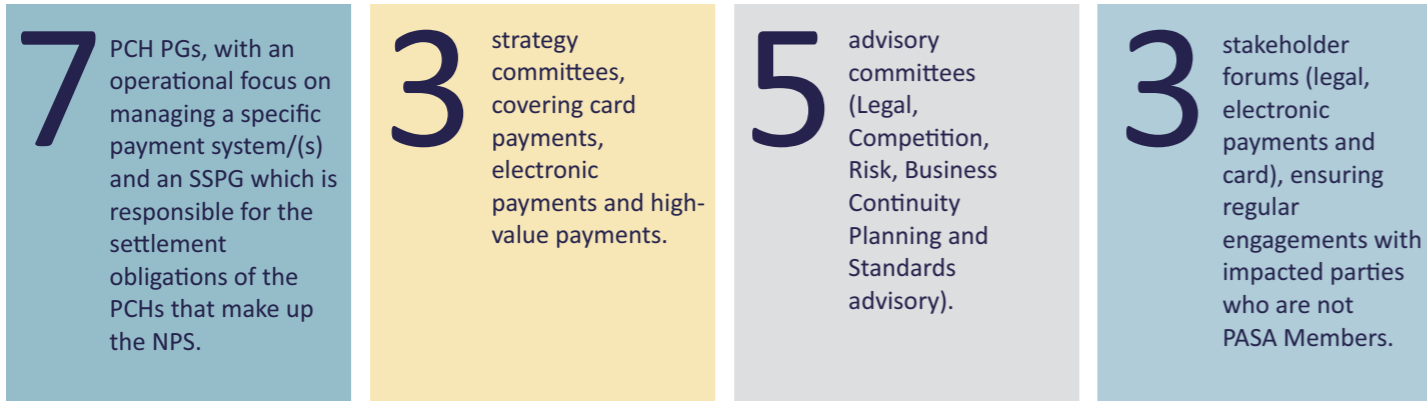
## PASA STRUCTURES







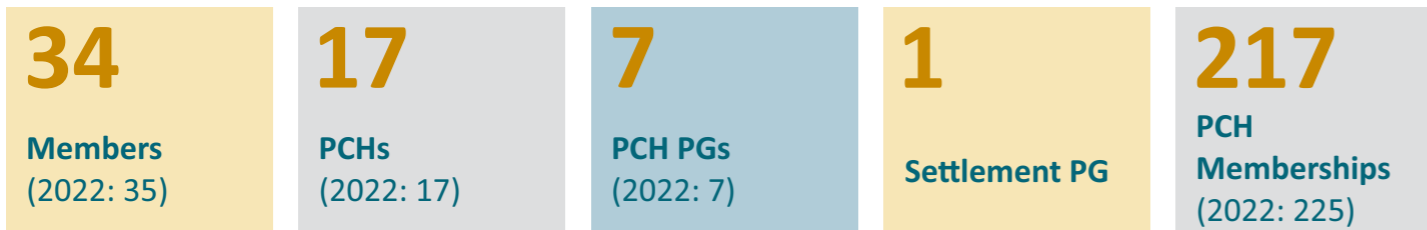
## In 2023, PASA had:



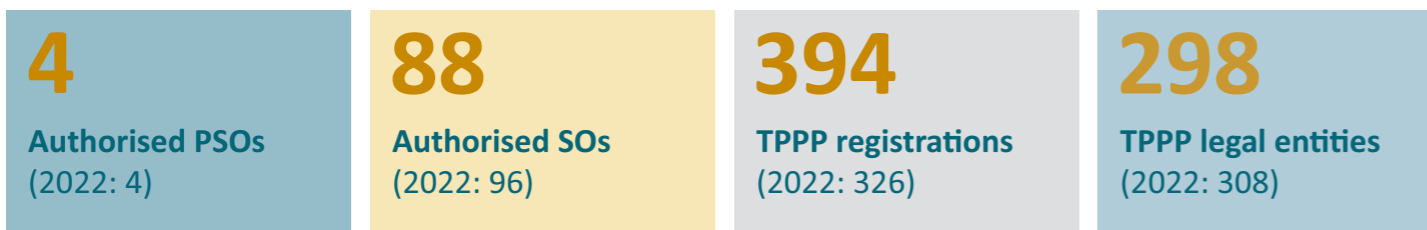
In addition to other management functions and powers delegated to the CEO, the PASA Constitution mandates the CEO to establish project steering committees to assist with the management and implementation of PASA projects.

## PASA's Members, PSOs, SOs and TPPPs on 31 December 2023

### Members



### PSOs, SOs and TPPPs



## PASA's Members on 31 December 2023

- |  |   |
|--|---|
| Absa Bank Ltd                                | HBZ Bank Ltd                                |
| Access Bank (GroBank (SA Bank of Athens) Ltd | HSBC  |
| African Bank Ltd                             | Investec Bank Ltd                           |
| Albaraka Bank Ltd                            | JPMorgan Chase Bank N.V Johannesburg Branch |
| Bank of China, Johannesburg Branch           | Main Street 1844*                           |
| Bank Zero                                    | Nedbank Ltd                                 |
| Barko*                                       | Paycorp Designated Participant              |
| Bidvest Bank Ltd                             | Postbank (SAPO) - Designated Participant    |
| Capitec Bank Ltd                             | Retail Assist Designated Participant        |
| China Construction Bank                      | SARB  |
| Citibank NA South Africa                     | Sasfin Bank Limited                         |
| Diners Club SA Designated Participant        | Standard Bank of SA Ltd                     |
| Discovery Bank                               | Standard Chartered Bank JHB Branch          |
| Efficacy Designated Participant              | State Bank of India SA Branch               |
| Finbond Mutual Bank                          | Tyme Bank Ltd                               |
| FirstRand Bank Ltd                           | VBS Mutual Bank                             |
| Grindrod Bank Ltd                            | Yoco Technologies*                          |

### Changes to PASA's membership

\*Provisional membership indicates that a member is not yet active in a Payment Clearing House (PCH), and therefore, no clearing and settlement transactions are conducted. Full members, on the other hand, are actively engaged in clearing and/or settling transactions and are bound by the obligations outlined in the PCH Agreement.

#### The following Member Banks were exited during 2023:

1. BNP Paribas – Sale
2. Habib Overseas Bank – Provisional Liquidation
3. Mercantile Bank – Sale
4. Ubank – Liquidation





## PURPOSE, VISION, MISSION AND VALUES

<b>Purpose</b>	PASA exists to manage payment systems in the interest of economic and social development of South Africa.
<b>Vision</b>	PASA aspires to be acknowledged as world-class in assisting in the evolution and oversight of the payments industry.
<b>Mission</b>	The mission of PASA is to manage and develop the National Payment System and facilitate integration with international payment standards.
<b>Values</b>	<p>PASA is committed to fostering a workplace free from corruption, discrimination, and inequality. PASA's values and employee policies play an integral role in ensuring that these principles are upheld.</p> <p><b>The following values drive PASA's culture, guiding attitudes and behaviours in pursuit of delivering exceptional service to members and the broader financial ecosystem:</b></p> <ul style="list-style-type: none"> <li>• Demonstrate integrity and authenticity in all our actions</li> <li>• Show respect for others</li> <li>• Achieve results through collaboration and teamwork</li> <li>• Display leadership and stewardship in everything we do daily</li> <li>• Strive for excellence through professionalism, dedication and service</li> <li>• Push the boundaries to grow and change ourselves and the industry</li> </ul>
<b>Goals</b>	<p>To achieve its mission, PASA's goals are to ensure improved or greater:</p> <ul style="list-style-type: none"> <li>• Financial stability</li> <li>• Risk management</li> <li>• Fairness and transparency</li> <li>• Innovation</li> <li>• Access</li> <li>• Inclusion</li> <li>• Efficiency</li> <li>• Competition</li> <li>• Sustainability</li> <li>• Interoperability</li> <li>• Legal certainty</li> </ul>

## NATIONAL PAYMENT SYSTEM FRAMEWORK AND STRATEGY: VISION 2025

The SARB as regulator of the NPS sets the strategic direction for the payment systems through issuing the NPS Framework and Strategy.

The prevailing strategy is Vision 2025.

### The SARB's Vision 2025 goals

The SARB sets out nine strategic goals for the national payments industry in Vision 2025. These goals are:

- A clear and transparent regulatory and governance framework
- Interoperability
- Transparency and public accountability
- Flexibility and adaptability
- Financial stability and security
- Promoting competition and innovation
- Regional integration
- Cost-effectiveness
- Financial inclusion

### The SARB's regulatory role

In its regulatory, supervisory and oversight capacity, the SARB plays an important role in ensuring the safety and efficiency of the NPS. The SARB recognises that it is vital that payment systems are capable of meeting the evolving needs of South Africans while helping to address the challenges and structural deficiencies faced by the country.

### Alignment with national development goals

Vision 2025 goals align with broader societal objectives such as financial inclusion, and contributing to economic development goals outlined in the National Development Plan. Through the implementation of these strategies, the SARB envisions the development of a world-class payment system, fostering increased consumer trust in electronic payment systems.



## OPERATING CONTEXT

### Current trends in South Africa's payments landscape

South Africa's payments landscape is undergoing a significant transformation, driven by a number of key trends:

#### Cash continues to be a resilient medium of payment, indicating a need for greater inclusion in the digital payments landscape

Material Matters



So far, digital payment systems have mainly benefited the country's higher-income and financially astute earners, who appreciate the convenience of cashless transactions and have ready access to the country's digital payments infrastructure. According to the FinScope SA Consumer Survey, about one in five South Africans do not have bank accounts, and of those who have bank accounts, a further third prefer to withdraw all their money in cash than keep it in the bank account. This trend is more prevalent among social grant recipients.<sup>1</sup>

Another factor driving continued dependency on cash is that many South Africans live in areas where the digital payments infrastructure does not yet reach or where digital payment is simply not accepted by local vendors. Continued loadshedding further contributes to unreliable access to digital infrastructure, especially in more rural areas. Data connectivity is imperative for access to digital payments no matter where the digital payment takes place.

#### Finding solutions for bringing the underbanked into the financial ecosystem

Material Matters



The behaviour of primarily using cash widens the gap between the banked and underbanked (those not using or having access to a full range of banking options). A few reasons for high levels of cash usage could be a lack of financial literacy, lack of understanding of technology, and individuals with poor access to affordable connectivity infrastructure.<sup>2</sup>

Digital penetration in South Africa has grown rapidly, with 112.7 million cellular mobile connections at the start of 2023 according to data from GSMA Intelligence. This is equivalent to 187.4% of the total population, suggesting that many people make use of multiple digital devices.<sup>3</sup> After a ninth consecutive increasing year, Smartphone penetration in South Africa is forecast to reach 37.96% by 2029.<sup>4</sup> The challenge therefore is how to expand digital payment usage to all of those with digital access.

#### Consumer security and education

Material Matters



Payments and banking security remains an ongoing focus area, with all payment solution providers seeking to continually enhance safety and security. These initiatives should be complemented by increased education, providing guidance to consumers on how they can protect themselves online.<sup>5</sup>

#### The persistent war for talent

Material Matters



The payments industry in South Africa is confronted by a persistent talent shortage as banks, fintechs, other payment service providers, and regulators compete for the same pool of talent. Further, the mass adoption of remote and hybrid working has broadened horizons for both employers and potential employees and has taken the talent war global.<sup>6</sup>

1 FinScope SA Consumer Survey prepared for FSCA  
 2 Entelect\_The-Future-of-Payments-\_Opportunities-and-Challenges-Digital.pdf  
 3 Digital Statistics and Usage South Africa 2023 | HelloYes Marketing  
 4 South Africa smartphone penetration (share of population) 2020-2029 | Statista  
 5 Consumers will demand payment choice in 2024 Gadget  
 6 Navigating the War for Talent: A Comprehensive Outlook for 2024 - Berkley Group (berkley-group.com)

#### Geopolitical alignment and issues of sovereignty

Material Matters



South Africa a member of the BRICS construct. The Russia-Ukraine conflict demonstrated how global payment systems can be used to apply economic sanctions quickly and effectively. These geopolitical developments have led many jurisdictions to consider the risks associated with dependence on global payment systems, or payment system components which could be used to apply sanctions in an increasingly fragmented world. Responses include localisation of retail payments, and investigations into a BRICS payment system, or at least towards BRICS alternatives to other global payment systems.

#### Emergence of alternative payment methods and forms of money

Material Matters



Pick 'n Pay, one of South Africa's largest retailers, has rolled out cryptocurrency payments in all its stores. Customers can pay for items using cryptocurrency via smartphone apps or by scanning a QR code and accepting the South African rand's conversion rate at the time of payment. There are other retailers who have begun accepting cryptocurrency payments which presumably will lead to increased adoption.<sup>7</sup>

The SARB, one of 134 countries and currency unions representing 98% of global GDP, has undertaken various studies into both retail and wholesale CBDCs. While research and pilots to better understand CBDCs and the regulatory implications thereof continue, there does not appear to be any immediate intention to issue either a retail or wholesale CBDC.<sup>8</sup>

#### South Africa has one of the highest levels of income inequality globally

Material Matters



A report by Statistics South Africa highlighted that the top 10% of the country's earners take home more than half of all wage income, while the bottom 50% earn less than 8%. This disparity is further exacerbated by gender, with women earning on average 30% less than men. Stats SA's Quarterly Employment Survey for Q1 2023 shows that the average monthly salary in South Africa is R25 304.<sup>9</sup>

This is in a context where the formal unemployment rate currently hovers around 32%.<sup>10</sup>

In this context, achieving financial inclusion becomes even more critical, as payment systems have the potential to significantly enhance accessibility and equity in economic participation. Financial inclusion is a key policy objective shared by most central banks around the globe. It is generally defined as universal access to, and use of, a wide range of reasonably priced financial services.<sup>11</sup>

7 Stores that accept cryptocurrency payments in South Africa | South Coast Herald (citizen.co.za)  
 8 Central Bank Digital Currency Tracker - Atlantic Council  
 9 Widening Wage Gap: What ordinary South Africans earn compared to politicians and top business executives (iol.co.za)  
 10 SA unemployment rate rises to 32.1% in Q4 2023 Stats SA  
 11 Digital payments as a boon to financial inclusion

## Characteristics and development of individual payment systems in 2023

Established payment systems including EFT Credits, EFT Debits and Card, remain stable and secure. They enable consumers, businesses and corporates to process efficient and safe payments, thereby supporting trade and commerce in the economy.



### Low-value payment systems

#### Credit push systems

Credit push payments, also known as credit transfers, are used to move funds from one bank account to another, either at the same bank, or across banks. South Africa has two legacy retail credit transfer systems, namely the EFT Credit system and the RTC system.

EFT Credit transactions are processed in batches, with funds typically credited to the beneficiary account on the same day or within a specified period of one or two business days.

RTC is a retail real time system whereby instructions are cleared within 60 seconds between the paying bank and the beneficiary bank. The transaction is final and irrevocable with the value of funds reflecting in the beneficiary bank account within the service level agreement of 60 seconds. This is an older real-time payment system built on the ISO 8583 message standard.

On 13 March 2023, South Africa introduced a third retail credit transfer system called the Rapid Payment (RP) system, marketed under the PayShap brand. PayShap is the modernised real time payment system. In addition to allowing account-to-account payments, Payshap provides the ability to pay a person using 'proxy' identification. The most common proxy identity is the payee's cell phone number, but other 'proxies' are also possible. At present, PayShap only processes transactions up to value R3 000.

The differences between the systems are outlined in the table below:

EFT Credit system	RTC system	RP system or PayShap
<p>The EFT Credit system is the oldest retail credit system, facilitating bulk and single payments in a batch format.</p> <p>There are three kinds of services (same day value, 1-day, and 2-day).</p> <p>Most EFT Credit transactions are processed using the same day service. Large bulk files such as the SASSA grant files and salary payments typically use the 1-day or 2-day services.</p>	<p>RTC is one of the world's first retail real time payment systems (transactions are cleared and funds are made available in 60 seconds).</p> <p>The interbank RTC volume (21.06%) and value (12.02%) of transactions are small compared to EFT credits, but in recent years the system has seen consistent growth of above 40% (volume) and above 20% (value) per annum.</p>	<p>The RP system branded as PayShap is a real time system that is able to leverage overlay services to make payments easier and more convenient.</p> <p>The initial overlay service delivered is pay-by-proxy. Request-to-pay capabilities are planned for delivery in quarter four of 2024.</p>

#### Debit order systems

A direct debit, or debit order, provides a convenient method for collectors to initiate collections of funds from payers on a recurring basis, such as monthly membership fees or loan repayments. A debit order is based on a mandate between the debit order payer and the debit order collector for services rendered, goods delivered, etc.

South Africa has two debit order systems; namely: the legacy EFT Debit system and the more modern ISO 20022-based system branded as DebiCheck, which incorporates authenticated and non-authenticated transactions. Non-authenticated transactions, are currently (temporarily) allowed to collect in the early window, albeit as a second priority to authenticated. The service to collect non-authenticated transactions in DebiCheck is called Registered Mandate Services (RMS).

At the request of the SARB, RMS will be separated from Authenticated Collections (AC) to become a modernised ISO 20022 system that will only collect in the late processing window, giving full effect to the SARB's intent that only authenticated transactions are allowed to collect in the early processing window (the debits processing window which runs directly after credits are processed).

The differences between the systems are outlined in the table below:

AC	RMS	EFT Debits
<p>AC operates on the ISO 20022 standard and functions as an early debit order.</p> <p>To initiate debit orders, the debit order payer must first authorise the mandate on a once-off basis at the start of a new contract or after changes to the contract have been agreed. This authorised mandate creates a digital record of agreed debit order parameters, such as the date and amount of the debit order, and is securely held at the debit order payer's bank.</p> <p>Subsequently, all future debit orders collected in this system are validated against these predetermined parameters and rejected if it does not match.</p>	<p>RMS operates on the ISO 20022 standard and functions as an early debit order, albeit in a second priority to AC.</p> <p>The mandate for RMS is the same as that for AC, except it has not been authorised by the payer.</p> <p>While RMS was originally designed as a temporary migration mechanism for AC, it was agreed with the SARB that it should transition to become an independent, standalone modern debit system that can ultimately replace EFT Debits.</p>	<p>EFT Debits are processed through a 180-byte batch-based direct debit system.</p> <p>Debit order mandates are not stored electronically by banks and, furthermore, banks have no visibility of the mandate between the collector and the payer.</p>

## Key developments for low-value credits and debits in 2023



### EFT Credits

In 2019, CMA countries implemented the CMA Interim Credit Payment solution for cross-border transactions. The solution runs over the legacy EFT credit batch system with an additional supplementary file that provides the information required to comply with the FATF Recommendation 16 cross-border payment information. The solution was approved for implementation by the participating CMA countries through the Common Monetary Area Cross-border Payments Oversight Committee (CMA CPOC), a joint structure of the CMA central banks.

In 2023, the CMA CPOC engaged with CMA participating banks to initiate the sunset of the CMA Interim Credit Payment solution and replace it with a solution that fully meets cross-border regulatory compliance requirements through carrying all transaction information in the transaction message directly.

PASA initiated a project to support its CMA participating members with a co-ordinated approach to sunsetting the EFT Credit interim solution. The industry further agreed with CMA CPOC that the interim solution will be replaced by the SADC-RTGS to process cross-border transactions between CMA countries.



### EFT Debits

During 2023, several improvements and enhancements were made to the debit order systems.

These included:

- Common treatment of paper and electronic mandates in defending disputes in the EFT debit systems.
- Allowing a working day shift for earlier collection of AC debit orders: collectors may collect the day before a Sunday or public holiday without the AC debit order becoming disputable.
- Disputes for EFT debit orders are only entertained within 365-days of the collection, except in cases of fraud.

These modifications have improved collection certainty for debit order collectors in several respects, but most importantly by capping the indefinite period previously permitted for the dispute of EFT debits at one year.



### DebiCheck

PASA's statistics indicate that the utilisation of DebiCheck has improved year-on-year. This trend could potentially be attributed to DebiCheck's ability to enhance collection certainty and mitigate risks for debit order collectors in economic circumstances where collection certainty and payers' protection against rogue collectors are at a premium.

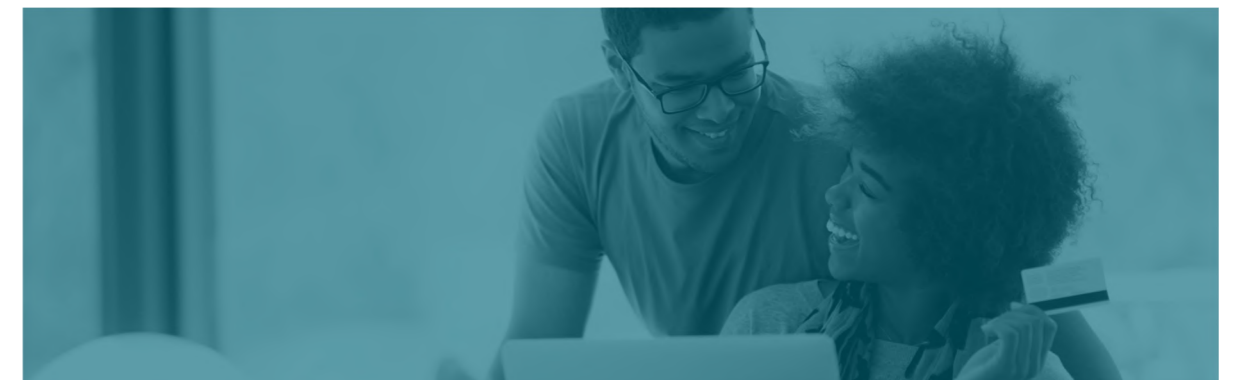
This further suggests that debit order collectors are increasingly comfortable utilising DebiCheck in line with its intended purpose, thereby enhancing collection certainty in market segments where valid debit orders are frequently disputed and reversed by debit order payers.

Despite remaining challenges, specifically related to technical delivery of non-face-to-face mandate authorisation requests, DebiCheck is largely performing as expected. As DebiCheck continues to gain adoption, it is expected to play an even greater role in facilitating secure and reliable debit orders in South Africa.



### PayShap Delivered through RPP

The RPP delivered the first PayShap minimum viable product (MVP) in March 2023. The MVP consisted of real time payments to bank account numbers and to proxies (mostly mobile numbers). Nine banks went live as PayShap participants in 2023.





## Overview of low-value credit and debit transaction trends

### Electronic credit transaction volumes continued to grow in 2023:

- EFT Credit remains the largest retail credit system, processing nearly 1.2 billion transactions, a 3.74% increase on the prior year.
- RTC processed 309 million transactions, a 43.72% increase on the prior year.
- The newly introduced PayShap processed 9 million transactions between March and December 2023.
- The combined growth of real time payment transaction volume in 2023 (RTC and PayShap) is 48.4%.
- EFT Debit volumes remained relatively stable, with R443 million transactions processed, a 0.23% increase on the prior year.
- AC (incorporating DebiCheck and RMS) collected a total of 180 million debit orders (FY22: 163 million\*), with 27.9 million mandates (FY22: 23.2 million) created and authorised on the platform, representing increases of 16.91% and 20.26% respectively.

## Modernising low-value credits and debits

PASA worked closely with the BASA Payment Modernisation (PayMod) project and BSA to establish principles and a factual evidence base, crucial for informed decision-making, to agree end-state and roadmaps for debits and credits modernisation.

While significant attention had been directed towards defining strategic areas and initiatives for debits, there is a growing understanding of the complexities of modernising credit systems.

### Operational management of credit transfers and debit orders is facilitated by:

**Low-Value Debit (covering the EFT Debit and AC PCHs), Low-Value Credit (covering the EFT Credit and RTC PCHs), and Rapid Payments (covering the RP PCH) PCH PGs** are responsible and accountable for operational clearing and the practical implementation of the principles, project objectives, policies, strategies, rules and procedures contemplated in the PCH Agreements for their respective payment systems.

#### Other operational committees

**Low-Value Debits and Credits Clearing Rules Subcommittees** - discuss and develop rules and procedures in relation to the Low-Value Electronic clearing of payment instructions.

**Low-Value Debits and Credits Technical Subcommittees** - identify operational items related to the clearing and settlement processes associated with the low-value credit and low-value debit payments, evaluate their potential impact, and recommend the necessary changes to technical requirements and/or manuals, for decision by the respective PCH PGs.

**Low-Value Debits and Credits Risk Subcommittees** - perform formal risk assessments in line with a defined framework, policy and process to identify operational and strategic risks associated with low-value electronic payments, evaluate their potential impact, and recommend risk mitigation measures, for decision making by the respective PCH PGs and Low-Value Electronic Strategy Committee.

**Low-Value Debits and Credits Business User Group Subcommittees** - provides a platform for communication and ongoing interaction between participants to improve the processing of payment instructions and make recommendations to the PCH PG on rules and procedures in relation to the clearing of payment instructions.

**Authenticated Collections 'SWAT'** - an ad-hoc committee created to support the 'AC' volume ramp-up which deals with cession and assignments required when AC collectors switch banks and mandate register changes which impact mandate information as well as AC incidents when required.

Volume Value ZAR R'000 000 % Growth

Year	2021	2022	2023
EFT Credits	961 million	1.064 billion	1.157 billion
	10.919 trillion	11.839 trillion	12.453 trillion
RTC	130 million	215 million	309 million
	1.033 trillion	1.406 trillion	1.702 trillion
EFT Debits	398 million	442 million	443 million
	891 billion	1.035 trillion	1.086 trillion
DebiCheck	81 million	163 million*	180 million
	107 billion	206 billion	241 billion

\*The reported number for AC and RMS in 2022 was 167 962 003. However, upon further updated data availability, the figure for AC and RMS in 2022 has been revised to 163 438 831.





## High-value payment system (SAMOS)

All credit transfers of a value greater than R5 million must be processed through the RTGS, SAMOS, operated by the SARB. This high-value payment system facilitates large transactions as well as specialised transactions such as those associated with bonds, money market, and equities trading. The RTGS also facilitates the settlement of the retail batch payment systems. Transactions processed through the RTGS are settled in real-time and are irrevocable.

## Modernisation of high-value payments

The SARB is currently undertaking the RTGS Renewal Programme, aimed at replacing the domestic and regional RTGS systems. In 2023, PASA actively engaged in multiple workshops during the Business Design Consultative Forum (BDCF) Architectural Phase, which was centred on designing a settlement solution fit for purpose. The BDCF Phase concluded in July 2023, and the final report is now accessible on the SARB's NPSD [website](#). PASA remains committed to supporting the SARB in its RTGS Renewal Programme.

The upgrade of SADC-RTGS to an ISO 20022 messaging standard is underway. This is a multi-national project undertaken by the SADC participants of SADC-RTGS. SADC-RTGS is used for real-time transaction processing by participating financial institutions in the SADC region. PASA's role is to guide the participating community on the message standards and to act as message and usage format custodian by updating the latest version of the usage guidelines for the SADC-RTGS participant community on MyStandards.

The upgrade of SADC-RTGS will have notable benefits in the short term, as this payment rail has been agreed by CMA participants as the payment system for processing cross-border EFT credit transactions.

Operational management of electronic (high-value) is facilitated by:	
<p><b>Cash PCH PG:</b> Supports the clearing and settlement rules, processes, procedures and standards used for the day-to-day operations of cash clearing. This includes rules seeking to achieve timely and orderly clearing and delivery of cash, and settlement transactions related to clearing and delivering physical cash.</p> <p><b>Electronic Securities Settlement PCH PG:</b> Oversees the clearing rules, processes, procedures and standards used in clearing and settlement in the Stare environment, which encompasses payments for bonds, equities, money market and derivative instruments.</p> <p><b>Immediate Settlement PCH PG:</b> Is responsible and accountable for clearing and settlement management of immediate payment settlement instructions. Also includes management of the practical implementation of the principles, policies, strategies, rules, and procedures contemplated in the PCH Agreements for immediate settlement purposes.</p> <p><b>Settlement System Participant Group:</b> Defines settlement rules and procedures. The group also determines arrangements for managing the participant limits set by the PCH PGs to the extent that such arrangements affect the settlement agreement in place.</p>	<p><b>Other operational committees assisting the various PCH PGs are:</b></p> <p><b>High-Value Clearing Rules Subcommittee</b> - is responsible for drafting, updating and formalising new and existing high-value electronic PCH rules. The committee also identifies operational matters related to the clearing processes associated with high-value payments, evaluating their potential impact, and recommending the necessary changes to clearing rules to the relevant high-value PCH PGs.</p> <p><b>PASA Cross-Border Payments and Reporting Community</b> - is a subcommittee of the PASA Standards Advisory Forum which addresses all cross-border ISO 20022 message changes and reviews message formats from a global perspective.</p>

## Card Systems


The card payment system enables seamless cashless transactions, both in-person, remotely and online. Debit, Credit, Business, and Fleet cards are issued and accepted in South Africa and internationally via the international Card schemes. Cards and card transactions are supported by security standards, such as chip and pin, 3DS three-factor authentication, tokenisation, and the PCI Data Security Standard. Additionally, the card ecosystem provides consumers with a dispute resolution mechanism known as 'chargeback' in case of fraud or non-delivery of goods or services.

The Card PCH PG will undertake a comprehensive review of the interoperable clearing rule set in 2024. It is essential to continuously maintain and update these rules to keep pace with rapidly evolving technology. Amendments, changes, and new rules will be implemented on an ongoing basis to ensure that the rules remain current and relevant.


Operational management of cards is facilitated by:	
<p><b>Card PCH PG:</b> is responsible and accountable for operational clearing and the practical implementation of the principles, project objectives, policies, strategies, rules and procedures contemplated in the PCH Agreements for Visa, Mastercard, American Express, Diners Club and Fleet cards.</p>	<p><b>Other operational committees</b></p> <p><b>Issuing and Acquiring Subcommittee</b> – deals with operational interoperability between Issuing and Acquiring banks.</p> <p><b>Card Technical Subcommittee</b> – deals with technical specifications and version control of technical updates to the card payment system.</p> <p><b>Card Incident Subcommittee</b> – ensures compliance and data integrity of card processing between banks.</p> <p><b>Card Clearing Rules Subcommittee</b> – drafts, updates and formalises new and existing interoperable rules.</p>

## PASA'S response to the changing payments landscape

### PASA's 2023 strategic initiatives




**Rolling out the future state of credits**




**Rolling out the future state of debits**



**Securing fleet payments through modernisation**



**Establishing a PIB for South Africa**



**Industry capacity building**

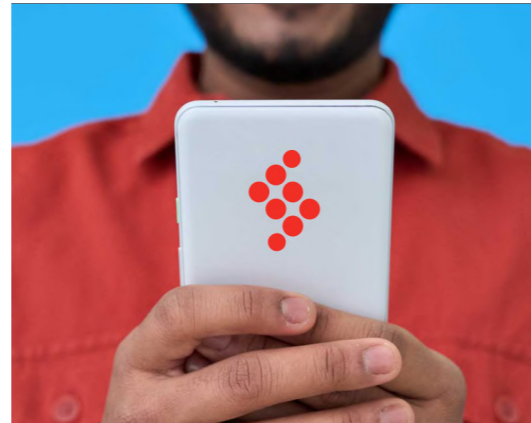


## Rolling out the future state of credits What will be the focus in 2024?

### Future enhancements planned for PayShap

The agreed RPP deliverables were real time payments, the proxy overlay service, and Request to Pay functionality. Real time payments and payments to a proxy were delivered in March 2023. The original Request to Pay specification only accommodated proxy payments. However, in November 2023, a scope change was approved by the PayShap governance structures to broaden the Request to Pay scope to include 'pay to account' as well as 'pay to proxy'. Industry engagements consolidating design inputs from all stakeholders took place in Quarter 4 of 2023. The implementation date for Request to Pay is set for October 2024.

Additional PayShap enhancements are being planned by BSA, through a roadmap that will take several years to deliver.



## Rolling out the future state of debits What will be the focus in 2024?

### AC enhancements

PASA will continue to focus on ongoing enhancements to the AC system and rules. Several enhancements have already been incorporated into the clearing rules, with plans for technical implementation throughout 2024:

- **Introduction of an AC emergency service** - The AC emergency service is to be used when system issues compromise the deadline for the submission of collections on the day before the collection day. The emergency service will allow participants to submit the collection on the collection day.
- **Automation of the cession and assignment** - This automation will permit seamless updating of mandates held at debtor (debit order payer) banks when a creditor (debit order collector) changes sponsor bank or abbreviated name details.
- **Amendments without authorisation** - This change allows for the scenario where a collector needs to change the terms of the debit order mandate, but the amendments are not authorised. In this instance, the AC mandate will be downgraded to an RMS mandate, enabling the collections to continue against the updated terms, albeit on the basis that they are now disputable.
- **Amendments with no changes** - This change will allow for an RMS mandate to be upgraded to an AC mandate, where authorisation has been received and no other details have been changed in the mandate.

Almost one-third of mandate authorisation requests initiated via Unstructured Supplementary Service Data (USSD) are not delivered to payers for authorisation. Moreover, even when mandate authorisation requests are successfully delivered, payers frequently opt not to respond. In response to these challenges, PASA will develop an additional clearing rule in 2024, specifying a threshold for acceptable levels of technical mandate authorisation request delivery.

As an additional value-add, PASA has conducted a behavioural study to understand why consumers choose not to authorise mandates. The recommendations stemming from this study will be shared in 2024, aiming to address and improve the authorisation process.

### Separating RMS from AC


The initiative to separate RMS from AC serves two primary objectives. Firstly, it involves relocating RMS collections out of the early debit order collection window. This aligns with the SARB's stance that only authenticated mandates qualify for immediate collection after the salary run. Secondly, the aim is to establish RMS as a stand-alone payment system, complete with its own PCH, distinct from AC and offering additional value-added features to EFT Debits.

The additional capabilities inherent in DebiCheck will render RMS an appealing modern payment system capable of eventually replacing the legacy EFT Debit system. These features empower collectors with the ability to track against an incoming credit, utilise an electronic (albeit unauthenticated) mandate stored at the payer's bank, and validate each collection against mandate parameters before it is collected.

The process of separating RMS from AC is slated for completion in the last quarter of 2024, although current estimations suggest that the project may extend into 2025.

### More effective rules

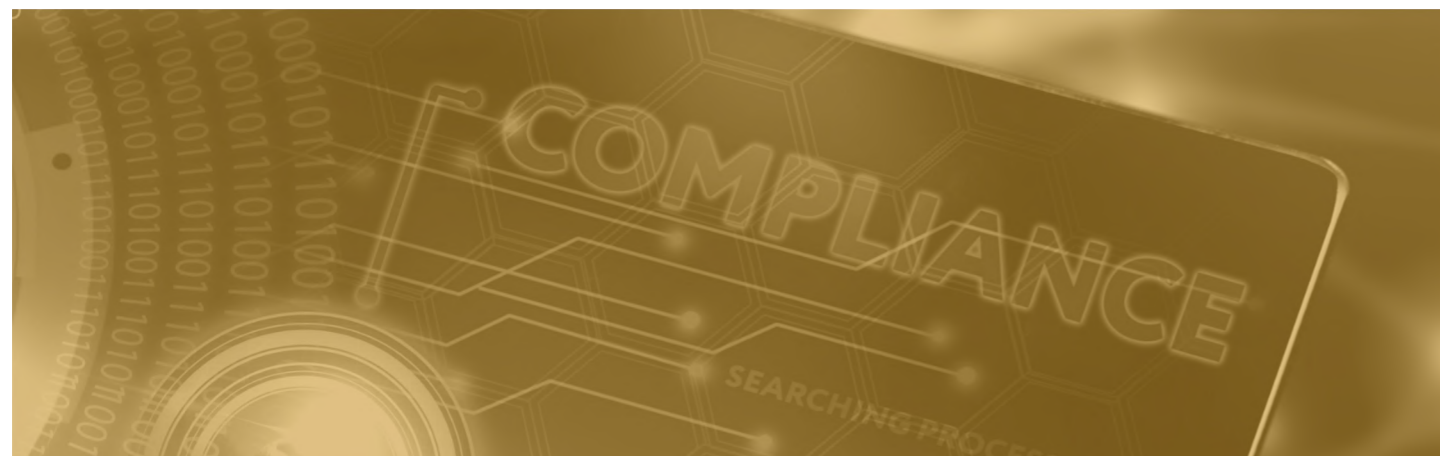
PASA is actively exploring improvements to debit order rules, particularly regarding dispute rules, to ensure a fair balance between the collectors' need for certainty and the consumers' right to dispute invalid debit orders. Insights and recommendations from a principle-based review conducted in 2023 will be discussed with stakeholders. If accepted, these changes could be implemented by 2024/25.



### Credits modernisation

Initiatives will include the adoption of the information rich ISO 20022 messaging standard and making use of a modular technology architecture which will allow the use of overlay services. The phase-out of legacy systems is also a consideration as new technology and system capabilities are not able to be accommodated on legacy systems. Compliance requirements with the FATF Recommendation 16 and regional payment system considerations, including the CMA, are some of the considerations pertaining to the capability of legacy systems. Consequently, there will be an increased focus on credit modernisation initiatives in 2024.

 Read more in material matters, changes to the regulatory environment on [page 32](#) and payment system modernisation on [page 33](#).







## Securing fleet payments through modernisation What is a fleet card payment system?

Fleet card payment systems enable businesses to manage the expenses associated with operating a fleet of vehicles. Employees utilise these cards for fuel purchases, maintenance, and other vehicle-related costs. Unlike traditional credit or debit cards, fleet cards are designated for specific purposes and are commonly associated with a specific budget.

### Why is PASA modernising the fleet card payment system in South Africa?

The current fleet card system operates on outdated magnetic stripe technology, which heightens vulnerability to fraud and faces acceptance difficulties, especially across cross-border. The project aims to modernise and upgrade the existing Fleet Card system by transitioning to EMV Chip and PIN cards. This shift from magnetic stripe to EMV Chip and PIN cards will coincide with a transition from a three-party model to a four-party model.



### What are the benefits of modernising the fleet card payment system?

Modernising the fleet card payment system will have several benefits, including:

- **Acceptance and interoperability:** EMV Chip and PIN cards on the four-party model are more widely accepted than magnetic stripe cards, which means that fleet cards will be accepted at a wider range of merchants and cross-border.
- **Reduced fraud:** EMV Chip and PIN cards are more difficult to clone and counterfeit. This move should therefore reduce the notably high current fraud levels.
- **Improved data operational efficiency:** Fleet management capabilities will be improved due to enhanced data availability.

### When will the migration to Chip and PIN cards be complete?

The Fleet Card project went live in April 2024. During a transition period, both EMV Fleet Cards and Magnetic Stripe Cards will coexist. The industry aims to phase out magnetic stripe fleet cards by 2025.



## Establishing a PIB for South Africa What is the role of the PIB in the NPS?

The primary role of the PIB is to ensure, develop and maintain interoperability within the NPS. Its fundamental objective is to prevent fragmentation and the emergence of competing systems within the NPS. The PIB will be entrusted with overseeing interoperability rules and standards, managing risks, and driving initiatives aimed at maintaining a safe, secure, efficient, and interoperable NPS. Membership within the PIB will encompass all entities licensed to provide payment services under a future activity-based licensing regime, to be established through consequential amendments to the NPS Act resulting from the CoFI Bill.

### Who designed the PIB?

PASA established a robust and inclusive design process for the PIB in 2022, creating the necessary structures and mechanisms to ensure a consultative and transparent approach to work towards a broadly accepted design.

All NPS stakeholders were given the opportunity to participate in the transparent, credible and inclusive process which culminated in the successful approval of a design for the PIB which is supported by the broader payments community.

The agreed design adheres to principles and objectives outlined by the SARB, who formally provided their “no objection” to the design in 2023.

### What progress was made towards delivering the PIB in 2023?

PASA to PIB transition planning commenced in 2023. Significant progress was made towards planning and progressing the transition during the period:

- **Comprehensive and aligned transition plan:** A detailed roadmap outlining the transition from PASA to the PIB has been built. The plan incorporates the dependency on legislative changes. PASA employed the services of a consulting company and a dedicated programme director to define the plan, which is made up of focussed workstreams and articulates workstream interdependencies and triggers.
- **Alignment with the SARB:** PASA participated and continues to participate in the SARB's PSMB Transition Committee which was constituted to manage the regulatory reforms underpinning the transition from PASA to the PIB.
- **Continued engagement with the industry:** Following an intense period of collaboration and consensus building in 2022, maintaining the momentum of engagement sessions with the broader community remains crucial for the project team. Additionally, the team facilitated several 'university sessions' involving PASA structure representatives and PASA employees to enhance their understanding of the design and its future implications.
- **PASA's capacity to deliver the transition to the PIB:** The PIB transition represents a sizable project, with change implementation capacity consistently under pressure. To streamline the process, PASA defined a less complex implementation route by securing community approval to repurpose the current association as the legal entity for the PIB. This decision significantly reduces implementation complexity.
- **PIB Tax exemption:** As PASA's current tax exemption relies on its recognition as a PSMB, the PIB will require a new basis for tax exemption once the PSMB concept is phased out as part of the regulatory reforms. Engagements with National Treasury, SARB and SARS have resulted in identifying an alternative and more efficient tax exemption basis for the PIB. This new basis will be formalised through changes to the Income Tax Act anticipated to occur in late 2024.

### When will the PIB be delivered?

Regulatory reforms are required to give effect to the PIB Design, particularly the licensing of new classes of payment services providers, which will be enabled through the promulgation of the CoFI Act. This step is crucial to enable the inclusive PIB member structures articulated in the design. However, it appears unlikely that the CoFI Bill will be considered by parliament before the 2024 general elections, suggesting that the PIB may not be implemented until 2025 or even 2026.

To manage the uncertainty surrounding the timing of PIB implementation, the transition plan includes triggers that will initiate specific workstreams. The critical path to implementation has been clearly outlined, and the project is being executed using an agile methodology. This approach prioritises critical path items that are most urgent to prevent delivery fatigue.





## Industry capacity building

What initiatives have been undertaken to enhance capacity building and skill development?

PASA is proactively engaged in developing skills both internally and across the wider payments industry. The industry, including PASA, requires specialised expertise to effectively implement NPS initiatives. These encompass specialised technical, business, legal, and regulatory skills pertinent to the payments industry, all of which are in high demand but in short supply. The industry-wide scarcity of these skills, coupled with heightened competition, presents challenges in successfully implementing the substantial changes required.

Internally, PASA has concentrated on several key initiatives:

- **Launching an on-the-job capacity-building programme:** In the 2023 financial year, five new roles were budgeted for, with the aim of providing on-the-job training to cultivate new payments practitioners who can eventually assume roles within PASA or the broader industry. Four out of five capacity-building roles were filled in 2023.
- **Implementing an annual training plan supported by a bursary programme:** This initiative aims to enhance employee learning and skills development.
- **Proactively planning for succession:** PASA is actively identifying potential successors for key roles, primarily from outside the organisation.
- **Optimising capacity within PASA and the broader industry:** PASA is working towards reaching industry consensus on a prioritised Book of Work to enhance capacity both within PASA and across the industry.

Furthermore, to build capacity for the entire payments industry, PASA engaged multiple industry stakeholders in 2023 and initiated a needs analysis study to understand stakeholders' various resource and skills development requirements. This study yielded several recommendations and identified five goals to strengthen industry capacity, which will be implemented over the next two to three years.

## PASA industry awards and PASA 2023 graduation ceremony


The PASA industry awards recognise outstanding contributions to the payments industry. The 2023 theme, 'Celebrating our brightest stars in the payments galaxy,' reflected the exceptional talent and dedication exhibited by individuals and project teams in payments during 2023.

At the 2023 PASA graduation ceremony, CEO Ghita Erling emphasised the vital role of industry capacity building. PASA's commitment to skills development, outlined in the National Payment System Framework and Strategy, was highlighted. The PASA Academy offers formal programmes to enhance payment professionals' expertise, addressing the industry's skills shortage.



**Committed to providing exceptional education and training opportunities in the payments industry.**



 We host and facilitate a number of training interventions as well as conferences and events on various topics throughout the year. For more information, visit our PASA Academy page.



## BUSINESS MODEL

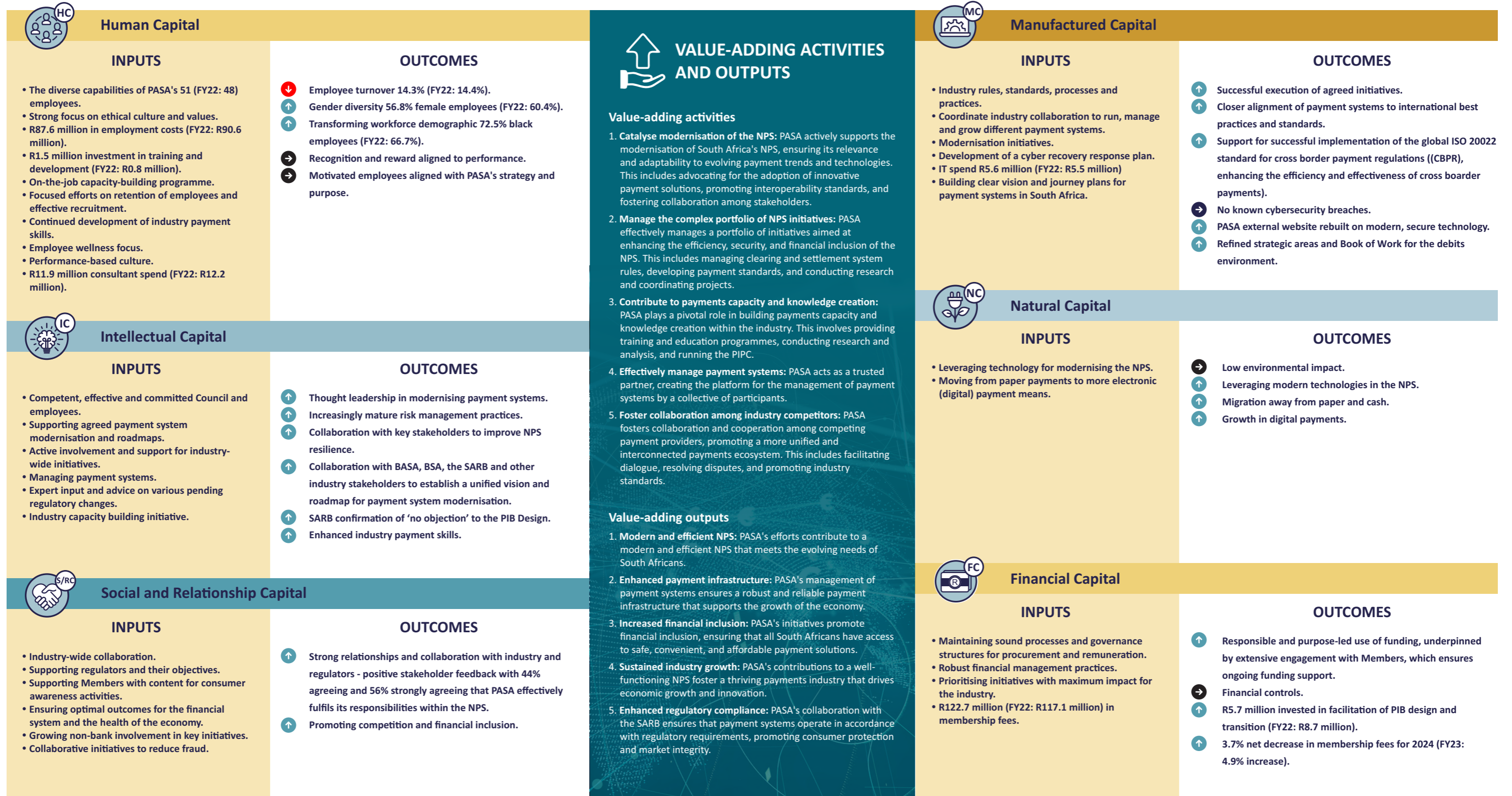
PASA's business model is built on the principles of creating, preserving, and defending value by responsibly utilising the six key capitals to maximise outputs and outcomes for its Members and all stakeholders. Through careful management of its resources and leveraging its distinctive capabilities, PASA aspires to remain an indispensable entity within the NPS, to be a positive force within the industry, and to be a trusted authority on payments both domestically and globally.

Additionally, PASA actively engages with a wide range of stakeholders to assess the value it adds to their operations. This holistic approach emphasises PASA's commitment to sustainable growth and stakeholder value creation.

↑ Value Creation

↓ Value Erosion

→ Value Preservation





## RISK AND OPPORTUNITY MANAGEMENT

### Role of risk in value creation

Risk management extends beyond mitigating threats; it encompasses seizing opportunities. True value is realised when clear strategies and objectives strike an optimal balance between value creation, and associated risks, efficiently deploying resources to achieve these goals. PASA acknowledges that every process integrates both strategic embedding and day-to-day operational elements of risk management.

### Approach to risk and opportunity management

Every activity performed within the NPS inherently involves some degree of risk. PASA fulfils a crucial role in ingraining risk management within internal functions and ensuring its integration into the core activities and processes of the NPS. In this regard, PASA has two distinct risk environments: PASA as a legal entity, and the NPS (PASA as a PSMB).

The PASA Organisational Risk Management Framework outlines principles for embedding consistent and robust risk management practices in the functions performed within PASA as a legal entity. Similarly, the PASA NPS Risk Management Framework has been developed to establish a foundation for integrating risk management principles into the national payments ecosystem, albeit within the scope of the mandate of the PSMB, excluding cross-border and closed-loop systems specifically.

The purpose of the two distinct frameworks is to establish a set of governing principles and an approach that facilitates the management of risks associated with both the functions within PASA and the activities of the NPS. This is aimed at maximising opportunities and minimising adversities, thereby striking an optimal balance between threats and opportunities, and aiding in the achievement of goals and objectives.

### Risk management philosophy

PASA's risk management philosophy is supported by four essential pillars, ensuring effective risk mitigation and strategic alignment.

<p><b>Embracing best practices</b></p> <p>PASA recognises that formal and systematic approaches to managing risk, as advocated by international standards and frameworks such as ISO 31000, COSO, and the King IV™ Code, are essential for effective risk management. By aligning with these best practices, PASA ensures that its risk management processes are comprehensive and robust.</p>	<p><b>Strategic approach</b></p> <p>PASA views risk management as a strategic imperative rather than just a compliance requirement. By adopting a strategic and formal approach to risk management, PASA aims to improve decision-making processes, enhance outcomes, develop a learning organisation, and foster greater accountability throughout the organisation.</p>	<p><b>Value creation</b></p> <p>PASA believes that effective risk management is not only about mitigating threats but also about creating value. By integrating risk management into its operations, PASA seeks to maximise the benefits of its activities while minimising the negative impact of uncertainties on its strategic objectives.</p>	<p><b>Employee empowerment</b></p> <p>Having good risk management practices in place empowers PASA employees and functional areas to undertake activities confidently, knowing that measures are in place to manage risks effectively. This enables PASA to achieve its strategic objectives while safeguarding its reputation and stakeholders' interests.</p>

### Processes and associated responsibility for PASA's two distinct risk environments

<p><b>PASA as a legal entity</b></p> <p>The PASA Legal Entity Risk Management Framework provides principles for embedding consistent and robust risk management into the activities performed by PASA.</p>	<p><b>The National Payment System (PASA as a PSMB)</b></p> <p>PASA's NPS Risk Management Framework provides a foundation for integrating risk management principles into all the parts of the payments ecosystem within PASA's ambit.</p>
<p><b>Risk management structures and frameworks</b></p>	
<p>PASA ExCo is responsible for managing risks within PASA functional areas.</p> <p>Similarly, Project Steering Committees are responsible for managing risks relevant to their specific projects.</p>	<p>PASA structures are responsible for managing risks within their respective payment systems. Risk management is delegated to Risk Subcommittees for card, low-value and high-value payment systems by the PCH PGs.</p> <p>Risk Subcommittees provide structured identification and assessment of payment systems risks, which are populated on the risk registers and utilised to create payment system risk profiles. Risk Champions are in place and receive training and guidance on the Framework components.</p>
<p><b>These risk management structures are supported by risk assessment reviews and reporting, which follow a structured approach</b></p>	
<p>Risks pertaining to PASA as a legal entity are discussed and assessed in consultation with relevant business functions, approved by the ExCo and ultimately reported to PASA Council and Council Risk Committee.</p> <p>Project risks are identified by the project teams, approved by the Project Steering Committees, and ultimately reported to PASA Council and Council Risk Committee.</p>	<p>The PASA as a PSMB process entails holding risk assessment workshops to identify and assess key risks, reviewing of risks by the Risk Subcommittees, review and approval at respective PCH PGs, development of a PASA risk profile, review by the NPS Risk Committee and, ultimately, PASA Council and Council Risk Committee reporting.</p>
<p><b>The above processes enable PASA Council and Council Risk Committee to be informed of key issues and risks that might have significant or negative consequences (financial and/or non-financial) to PASA, its Members or stakeholders.</b></p>	



## RISK AND OPPORTUNITY MANAGEMENT

### Lines of defence model

PASA has adopted the Lines of Defence Model to manage risks, placing emphasis on clearly defined roles and responsibilities. Each line is aligned with the overarching objective of supporting PASA in achieving its goals through effective risk management. Collaboration, information sharing, and coordinated activities among these lines of defence enhance efficiency, minimise redundancy, and address all significant risks appropriately.

 <b>1st line of defence</b> Ultimate ownership and accountability for risk management, ensuring the identification, measurement, monitoring, mitigation, management, and reporting of risks arising within their areas of responsibility.	
<b>PASA as a legal entity risk:</b> PASA line management and employees.	<b>PASA as a PSMB risk:</b> PASA Structures, including PCH PGs, Strategy and Legal Committees, Risk Subcommittees, Stakeholder Forums and Project Steering Committees. The first line of defence is strengthened by PASA Risk Champions, PASA Structures Chairpersons, PASA Members and their employees.
 <b>2nd line of defence</b> Oversight role, ensuring that the risk identification and management activities are performed as required in line with the risk management framework, as well as collecting relevant information to create an enterprise-wide view of risks and controls assessment results.	
<b>PASA as a legal entity risk:</b> PASA Risk Function.	<b>PASA as a PSMB risk:</b> PASA Risk Function; NPS Risk Committee.
 <b>3rd line of defence</b> Independent assurance on the effectiveness of the management of risks within PASA and on the adequacy and effectiveness of key controls.	
Independent assurance providers, including external audit.	
 <b>4th line of defence</b> Oversight role to ensure that the NPS remains stable and that industry trust is not depleted.	
NPS regulatory bodies.	

### Key factors to enhance risk management in 2023

The risk management focus for 2023 was on enhancing and applying effective risk management models to manage NPS risks, including informative risk reporting, as a key input to risk response and prioritisation decisions. This included the review of key risk indicators (KRIs) as input to risk assessment reviews, and analysis of risk assessment results against PASA Council-approved risk appetite and tolerance levels, to ensure mitigation measures were prioritised accordingly. Finally, a risk acceptance model was developed and approved by PASA Council, for cases where risks cannot practically be mitigated or avoided.

### PASA as a legal entity

#### Risk management governance structures

PASA's risk governance structure, in its capacity as a legal entity, includes the below committees, which support risk identification, assessment and reporting in a manner that fosters risk-based decision-making.

<b>PASA Council</b>  PASA Council is accountable for achieving PASA's objectives and ensuring that PASA's vision, mission and values are implemented and upheld. PASA Council oversees that the risk management principles implemented in PASA align with this ultimate goal and that there is a consistent approach to risk management throughout the payments ecosystem.
<b>Audit Committee</b>  The Audit Committee has oversight over financial and tax risks.
<b>Remuneration Committee</b>  The Remuneration Committee has oversight over people risk and ethics.
<b>Risk Committee</b>  The Risk Committee assists in overseeing significant risks to the execution of PASA's strategic objectives, PASA's appetite for risk and the means to maintain sound risk management and internal controls.
<b>PASA ExCo</b>  The ExCo is responsible for PASA's day-to-day business and operations, which includes managing risk and ensuring improved risk management.



## Top PASA risks as a legal entity in 2023, treatment, opportunities, trend, and outlook

The following are the key risks related to PASA's organisational activities.

Explanation of Risk legends: RR (Residual Risk)

Catastrophic
  Very High
  High
  Moderate
  Low
 ↔ No Change
↑ Risk Increase
↓ Risk Decrease

Risk	Description of risk	PASA response	Opportunities (where applicable)	Outlook	Capitals impacted	Stakeholders impacted	Material matters	
1	<b>People risk</b>	To address the risk of employee dependency, PASA has implemented measures such as robust succession planning and retention strategies for key employees.	By prioritising key projects and implementing robust performance management, PASA is fostering an environment of employee support, empowerment, and recognition. This approach not only ensures successful execution but should ultimately build PASA's position as an employer of choice.	Ongoing employee training aligned with individual development plans.  Temporary resource utilisation to address capacity gaps.	Human Capital			
2023	PASA has a high dependency on key individuals, which is exacerbated by resource overstretch. The potential loss of key employees might result in a skills deficit and impact PASA's ability to achieve its strategic objectives.	PASA has a comprehensive talent management strategy aimed at identifying and nurturing talent within the organisation and an equitable remuneration approach is followed to incentivise and retain skilled employees.						
Trend	Furthermore, the PIB transition poses risks related to PASA's capacity to effectively implement changes, given its dependence on key personnel.	PASA is actively monitoring the planning and execution risks during the PIB transition to ensure the organisation maintains sufficient capacity and mitigates any unintended consequences. The objective is to facilitate a seamless transition within feasible timelines, considering both internal and external dependencies.						
					Strategic focus areas impacted			
					1	2	3	4

Risk	Description of risk	PASA response	Opportunities (where applicable)	Outlook	Capitals impacted	Stakeholders impacted	Material matters
2	<b>Cyber risk</b>	PASA has implemented robust measures to mitigate cybersecurity risks, including email encryption, secure file-sharing capabilities, data replication, and disaster recovery protocols.	By proactively ensuring that the organisation is adequately protected against cyber risks, PASA has an opportunity to enhance its resilience and preparedness in the face of potential cyber events or attacks.	PASA continues to monitor and develop cybersecurity and response planning measures.	Manufactured Capital  Intellectual Capital		
2023	PASA is exposed to the threat of unauthorised access, disclosure, disruption, or destruction of its information and communication technologies through cyber incidents or attacks.	Additionally, proactive steps such as phishing test simulations and mandatory employee training have been conducted to enhance awareness and reduce phishing attempts.					
Trend		A cyber recovery response plan is being developed to ensure preparedness for potential incidents.					
					Strategic focus areas impacted		
					4		



## PASA as a PSMB

### Risk management governance structures

Risk governance structures and Council Committees oversee identification, assessment and reporting to foster risk-based decision-making.

PASA Council	Risk Committee		
<p>PASA Council is accountable for achieving PASA's objectives and ensuring that PASA's vision, mission and values are implemented and upheld. PASA Council oversees that the risk management principles implemented in the NPS align with this ultimate goal and that there is a consistent approach to risk management throughout the payments ecosystem.</p>	<p>The Risk Committee assists in overseeing significant risks to the execution of PASA's strategic objectives, PASA's appetite for risk and the means to maintain sound risk management and internal controls.</p>		
PASA Structures; National Payment System Risk Committee			
<p>PASA Structures include PCH PGs, the SSPG, Strategy Committees, Advisory Committees (including, for example, Legal, Competition and NPS Risk Committees) and Project Steering Committees.</p>			
<table border="1" style="width: 100%;"> <tr> <td style="width: 33%;">Card Risk Subcommittee</td> <td style="width: 33%;">Low-Value Electronic Payments Risk Subcommittee</td> <td style="width: 33%;">High-Value Electronic Risk Subcommittee</td> </tr> </table>	Card Risk Subcommittee	Low-Value Electronic Payments Risk Subcommittee	High-Value Electronic Risk Subcommittee
Card Risk Subcommittee	Low-Value Electronic Payments Risk Subcommittee	High-Value Electronic Risk Subcommittee	



## Top National Payment System (PASA as a PSMB) risks in 2023, treatment, opportunities, trend, and outlook

The top risks illustrated below relate to PASA as a PSMB.

Risk	Description of risk	PASA response	Opportunities (where applicable)	Outlook	Capitals impacted	Stakeholders impacted	Material matters
1	<p><b>People risk</b></p> <p>The industry, including PASA, faces the risk of a decline in specialist skills necessary for the successful execution of the NPS initiatives. This risk is compounded by increased competition for the limited pool of skills, which presents challenges in delivering on the industry's complex initiatives.</p>	<ul style="list-style-type: none"> <li>All PASA certification programmes have been digitised and are recommended to all member representatives.</li> <li>PASA also engages with the global payments industry community to obtain an understanding of complex payment structures.</li> <li>The focus has been on understanding the extent of the problem within the complex payment systems and on agreeing action plans to address the challenges.</li> </ul>	<p>PASA's certification programme provides a foundation to develop payment systems knowledge, which can be enhanced with on-the-job skills transfer.</p>	<p>PASA is committed to implementing long-term solutions to address the skills shortage and bolster industry capacity, while prioritising industry-wide collaboration to reduce demands on capacity and ensure sustained progress.</p>	Human Capital		
2023					Intellectual		
Trend							
↔							
					<b>Strategic focus areas impacted</b>		
					1	2	



Risk	Description of risk	PASA response	Opportunities (where applicable)	Outlook	Capitals impacted	Stakeholders impacted	Material matters
2	<b>Fraud and cyber risk</b>	Banks are actively engaged in providing security education and awareness to customers, and some banks offer banking details verification services. Industry-wide initiatives are being developed to implement additional fraud prevention measures.	PASA and its members, led by SABRIC and BASA, are exploring the development and implementation of industry-wide measures.	Industry initiatives to address fraud risk through collaborated efforts between BASA, BSA, PASA and SABRIC.	Social and Relationship		
2023	The increasing prevalence of credit push payment fraud, particularly Business Email Compromise (BEC) and social engineering scams, heightens the risk of financial fraud and information breaches, exposing consumers to various online fraud scams.		These include leveraging richer message formats and data analytics to detect and prevent fraudulent activities proactively.				
Trend							
					<b>Strategic focus areas impacted</b>		

Risk	Description of risk	PASA response	Opportunities (where applicable)	Outlook	Capitals impacted	Stakeholders impacted	Material matters
3	<b>Resilience of the NPS</b>	PASA has collaborated with key stakeholders to develop contingency plans that would enable a co-ordinated response in the event of a disaster that negatively impacts the payment systems.	Enhancing collaboration among PASA members and key stakeholders can help to improve the resilience and stability of the NPS.	PASA has developed an operational resilience policy and contingency plans, including operational checklists for use in the event of a disaster or system outage. Efforts are ongoing to mature the NPS resilience in the event of a connectivity outage.	Social and Relationship		
2023	Given the rise in severe weather and other disruptive events that might affect electricity and network connectivity, both of which underpin NPS activities, ensuring the resilience of the NPS is paramount.	PASA is also working with members to improve NPS resilience so that levels of NPS activity can be maintained in the face of such an extreme event.					
Trend							
New Risk							
					<b>Strategic focus areas impacted</b>		

**Note 1:** The legal risk previously reported in the 2022 risk profile regarding misalignment and gaps in PCH rules, agreements, and technical requirements has been effectively mitigated. The Rules and PCH agreements underwent a thorough review, and identified gaps were addressed. PASA remains committed to continuously improving rules to maintain legal soundness and minimise legal risks.

**Note 2:** A judgement was served in the Clientele vs PASA (and Others) litigation in September 2023 whereby additional respondents have been joined to the matter. Clientele is suing PASA seeking changes to the debit order rules to prevent the instant return of funds when consumers dispute collections that are made against their bank accounts.






## MATERIAL MATTERS

PASA identifies key issues that have the most significant impact on its strategic delivery and ability to create value over the short, medium, and long-term. These material matters are carefully considered and managed as they can significantly influence PASA's performance and future direction.

By effectively addressing these material matters, PASA strives to enhance its operational efficiency, mitigate potential risks, and identify opportunities for efficiencies in the broader industry, ensuring its continued success and contribution to the South African payments ecosystem.

Material matters are reviewed on an annual basis for accuracy, completeness, and validity, first through the ExCo and then with PASA Council. For the first time in this report, the material matters have been prioritised in order of potential impact on PASA.

As an outcome of the 2023 process, it was noted that PASA's material matters remain relevant, with minor amendments to reflect PASA's changing operating environment.

1 Changes to the regulatory environment 	
<b>What it means to PASA</b>	
<p>Significant amendments to payments regulation and the way in which regulators choose to manage payment systems are driving material change in the South African NPS. The regulatory reforms incorporate increased access, regulation of emerging technologies and new business models, as well as improved financial inclusion.</p> <p>Amendments to the NPS Act arising from the Conduct of Financial Institutions CoFI Bill will result in PASA being replaced by a new PIB, with a much broader member base.</p> <p>Further, increased focus on the FATF's Recommendation 16, together with a greater need for tracking the proceeds of crime, has resulted in a rethink of the core messaging capability of the current electronic payment credit systems. Related considerations, as well as regulatory changes in Namibia, also have a considerable impact on how low-value payments are managed within the CMA.</p> <p>These regulatory and other changes will impact PASA's future operating model, its membership, and its approach to modernisation.</p>	
<b>Risks</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>The transition from PASA to the PIB, together with the ongoing payments modernisation work, and other significant changes to the NPS puts considerable pressure on PASA and NPS participant delivery capacity.</li> <li>Creating large information stores with significant personal information can increase the impact of cyberattacks and could have long-term privacy impacts.</li> <li>Global changes to FATF regulation currently being considered could result in further impact on payment systems in future.</li> </ul>	<ul style="list-style-type: none"> <li>Richer messaging data carried in payments can lead to much better tools to fight fraud and financial crime, and far more efficient ways of following the proceeds of crime in the NPS and thus prosecuting financial crime.</li> </ul>
<b>Outlook</b>	
<ul style="list-style-type: none"> <li>The CoFI Bill is only likely to be considered by Parliament post the elections which take place in May 2024. That means that the PIB transition will likely extend into 2024 and 2025.</li> <li>FATF Recommendation 16 is currently under review by the FATF, therefore changes to Directive 1/2022 are anticipated in due course.</li> </ul>	

### Strategic response

#### CoFI Bill and PIB transition

The PIB design takes account of proposed regulatory changes. However, the timing of these changes remains unclear, leading to some uncertainty around the sequencing of the PIB execution.

PASA has, in consultation with the broader industry, proposed changes to the original PIB design, specifically proposing the reuse of the PASA association for the PIB, which would significantly simplify the PIB execution.

Towards the end of 2023, in the SARB's regulatory committee engagements, it was communicated that an Omnibus Bill could be introduced prior to the 2024 elections. It is expected that some of the clauses in the proposed Bill could enable elements of the PIB before the CoFI Bill.


#### Financial Action Task Force (FATF) Directive


Increased focus on ensuring that payment systems are optimally set up to support FATF compliance, together with a need for stronger capabilities for tracking the proceeds of crime, may lead to a reprioritisation of the modernisation of the low-value credit systems. The ISO 20022 payment messaging standard which underpins most of PASA's modernisation efforts creates the opportunity for richer data to be carried in payment messages.

PASA is participating in two initiatives to assist the payments industry in reaching a consensus on how these requirements should be incorporated into low-value credit modernisation. This work requires balancing the requirement for more centrally stored data with the risks associated with a rich centralised store of data and privacy concerns. The first initiative is led by PASA and consists of an expert member representative FATF compliance working group which will make recommendations as to how best to proceed. Preliminary investigations by this working group have revealed inconsistencies in how data fields are interpreted and used in the current low-value payment systems.

The second is a BSA-led initiative to define principles for the modernisation of the EFT credit system, following a similar process to that recently used by PASA in determining the focus areas in the debit order systems. This process will incorporate the recommendations of the FATF compliance working group.


Finally, PASA is project managing a regulatory-driven initiative to stop all cross-border debits in CMA and to move low-value CMA credits off the current interim solution which has been in place for several years.

2 Payment system modernisation 	
<b>What it means to PASA</b>	
<p>The ability to move money safely through digital systems is a core foundation of a modern economy. The NPS can therefore be seen as a critical financial infrastructure, which must be maintained and modernised on an ongoing basis. This will support regulatory objectives and promote flexibility, innovation and competition while increasing consumer protection and financial inclusion. Collaboration between different role-players in the payments ecosystem and technical skills and expertise are required.</p>	
Risks	Opportunities
<ul style="list-style-type: none"> <li>Fragmented approach to modernisation plans between BASA, BSA and PASA, even though similar objectives are being pursued.</li> <li>Key man dependencies.</li> <li>Scarcity of skills and financial pressures.</li> </ul>	<ul style="list-style-type: none"> <li>Convergence of legacy systems where appropriate and alignment with global standards to drive efficiencies in payment processing.</li> <li>Greatly improved consumer access and use of digital payments.</li> </ul>
Strategic response	
<p>PASA has embarked on a co-operative approach to payment system modernisation, actively collaborating with BASA, BSA, the SARB and other industry stakeholders to establish a unified vision and roadmap for modernisation.</p> <p>In pursuit of a harmonised high-level industry perspective, PASA will strive to attain alignment on the modernisation framework and high-level journeys for low-value electronic payments, high-value electronic payments, and card payments.</p> <p>BASA, BSA and PASA Book of Work alignment is underway to agree on the directional roadmap for the next three years, to ensure strategic and execution alignment.</p>	
Outlook	
<ul style="list-style-type: none"> <li>PASA will attempt to guide a common end-state framework for modernisation across the various payment streams, as well as to develop a process to ensure ongoing alignment between the various industry stakeholders (BASA, BSA, PASA, SABRIC and the SARB).</li> </ul>	

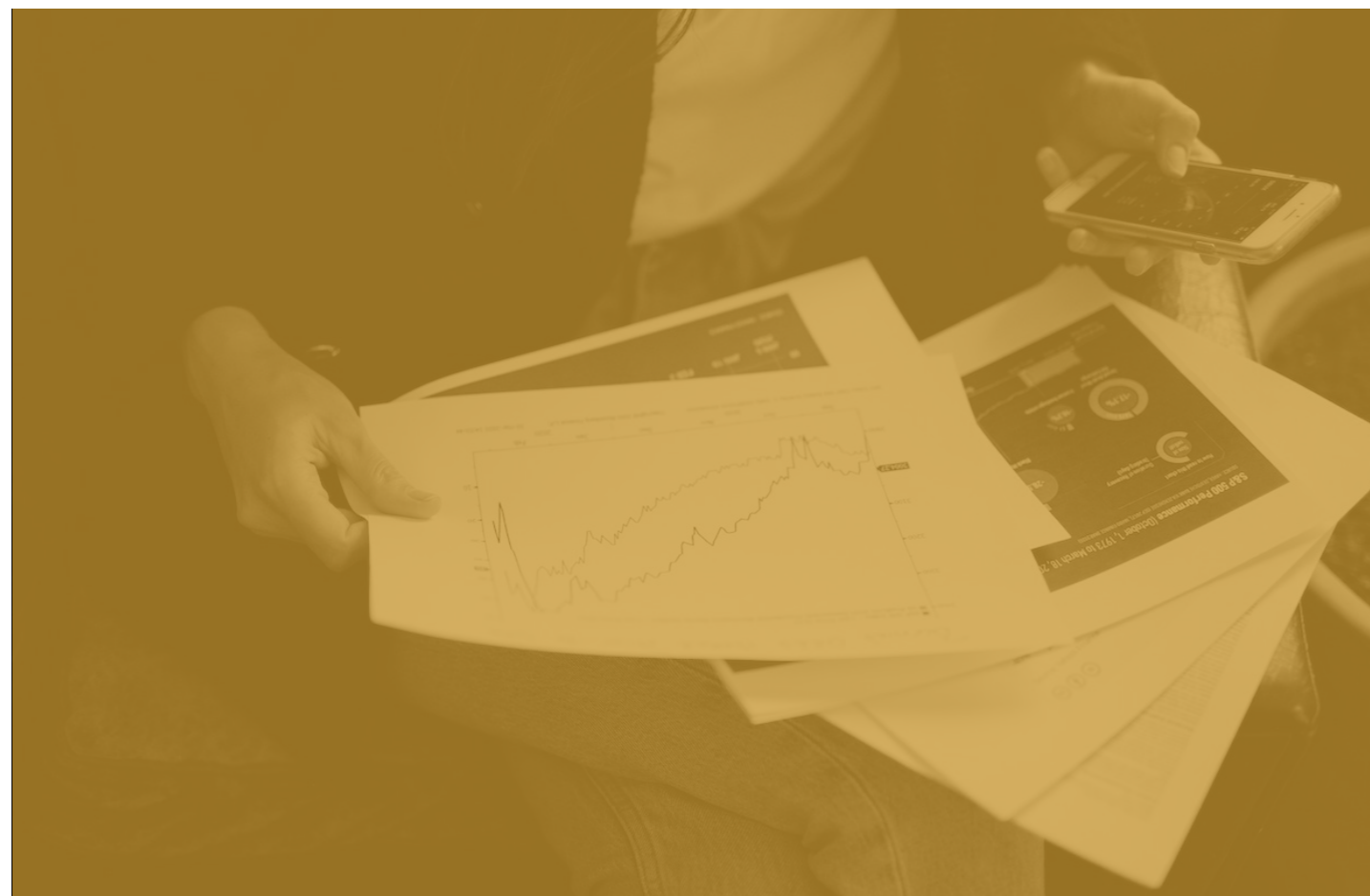
3 Cybercrime and fraud prevention 	
<b>What it means to PASA</b>	
<p>The prevention of cybercrime and fraud is paramount to ensuring the financial stability of South Africa and the safety and soundness of financial institutions and the payment system. In the technology-based ecosystem, cybercrime and fraud can reduce trust in the payment system, impacting financial stability.</p>	
Risks	Opportunities
<ul style="list-style-type: none"> <li>Significant cyber events have the potential to undermine trust in payment systems, eroding confidence among users and stakeholders.</li> <li>Failure to proactively manage vulnerabilities can lead to regulatory interventions and additional compliance burdens for payment system participants.</li> </ul>	<ul style="list-style-type: none"> <li>Payment system modernisation using ISO 20022 will enable richer transactional data and ultimately enable real-time fraud management.</li> </ul>
Strategic response	
<p>Through its risk management process, PASA recognises and defines areas of concern in the NPS and works with other parties, most notably BASA, BSA and increasingly, SABRIC, to assist in an aligned industry approach to tackling cybercrime and fraud.</p>	
Outlook	
<ul style="list-style-type: none"> <li>The industry is assessing the potential initiatives to address fraud risk through collaborated efforts between BASA, BSA, PASA and SABRIC. An industry-wide collaborated effort is key to enable fast detection of cybercrime tactics and contain their negative impact.</li> </ul>	







4 Skills shortage and industry capacity 	
<b>What it means to PASA</b>	
The industry, including PASA, requires specialist skills to successfully execute NPS initiatives. This includes specialised technical, business, legal and regulatory skills relating to the payments industry, all of which are in short supply. This industry-level shortage of skills, and the increased competition for these specialised skills, make delivering the significant changes required challenging.	
<b>Risks</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>Inability to retain key skills.</li> <li>Delays or failures of critical initiatives due to the skills shortage.</li> </ul>	<ul style="list-style-type: none"> <li>Bolster industry capacity.</li> <li>Add additional value to the industry.</li> </ul>
<b>Outlook</b>	
<ul style="list-style-type: none"> <li>PASA's strategy for addressing the skills shortage and bolstering industry capacity is a multi-year endeavour, reflecting a commitment to long-term solutions and sustained progress.</li> <li>PASA will continue to prioritise industry-wide collaboration and coordination in its efforts to reduce demands on capacity.</li> </ul>	


Strategic response
<p>PASA actively seeks to build skills internally and in the broader payments industry. From an external perspective, the PASA Academy has graduated more than 3000 students through its certification courses since its inception in 2012. In 2023, the Academy awarded 369 certificates for successful completion of either the Foundational, Advanced Electronic or Advanced High-value training courses.</p> <p>To build capacity for the entire payments industry, PASA engaged multiple industry stakeholders in 2023 and initiated a needs analysis study to understand stakeholders' various resource and skills development requirements. This study yielded several recommendations and identified five goals to strengthen industry capacity, which will be implemented over the next two to three years.</p> <p>Internally, PASA has concentrated on several key initiatives:</p> <p><b>Launching an on-the-job capacity-building programme:</b> In the 2023 financial year, five new roles were budgeted for, with the aim of providing on-the-job training to cultivate new payments practitioners who can eventually assume roles within PASA or the broader industry. Four out of five capacity-building roles were filled in 2023.</p> <p><b>Implementing an annual training plan supported by a bursary programme:</b> This initiative aims to enhance employee learning and skills development.</p> <p><b>Proactively planning for succession:</b> PASA is actively identifying potential successors for key roles, primarily from outside the organisation.</p> <p><b>Optimising capacity within PASA and the broader industry:</b> PASA is working towards reaching industry consensus on a prioritised Book of Work to enhance capacity both within PASA and across the industry.</p>



5 Resilience of the National Payment System 	
<b>What it means to PASA</b>	
Many years of focus and effort across the industry have ensured that the stability and resilience of the NPS is constantly monitored and well-maintained. Globally, NPS resilience is an area of focus given the increase in severe weather and other events impacting electricity and connectivity, both of which underpin digital payments. To that end, PASA requires a robust control environment (people, processes and systems) and a robust risk management and contingency planning process.	
<b>Risks</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>Possible system unavailability due to extreme systemic events including severe weather.</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing collaboration among PASA members and key stakeholders can help to improve the resilience and stability of the NPS.</li> </ul>
<b>Strategic response</b>	<b>Outlook</b>
<p>PASA has collaborated with key stakeholders to develop contingency plans that would enable a co-ordinated response in the event of a disaster that negatively impacts the payment systems. PASA is also working with members to improve NPS resilience so that levels of NPS activity can be maintained in the face of such an extreme event. PASA invited a panel of international Payment Association representatives who had experienced such events to talk about their experiences at the recent PIPC.</p>	<ul style="list-style-type: none"> <li>PASA has developed an operational resilience policy and contingency plans, including operational checklists for use in the event of a disaster or system outage. Efforts are ongoing to mature NPS resilience in the event of a connectivity outage.</li> </ul>



6 Increasing complexity of the payment ecosystem 	
<b>What it means to PASA</b>	
<p>Core to PASA's existence is its ability to add value for its Members and build consensus between an increasingly complex and diverse set of stakeholders. If the increasing complexity of stakeholder relationships is not managed effectively, it can impact PASA's ability to deliver on its mandate and maintain interoperability. In addition, the dependency on an increasing number of diverse third parties can impact strategic project execution, or the speed thereof.</p> <p>The diversity and number of PASA members will dramatically increase as it transitions to the PIB. Building industry consensus is by its nature a slow process, and adding significantly more parties to the consensus-building process could increase timeliness.</p>	
Risks	Opportunities
<ul style="list-style-type: none"> <li>Extended consensus-building processes and delivery timelines.</li> </ul>	<ul style="list-style-type: none"> <li>Upskilling of PASA employees to enhance PASA expertise in building consensus and finding new ways of working that speed up building the necessary critical mass to progress NPS initiatives.</li> </ul>
Strategic response	Outlook
<p>PASA's commitment to collaboration and stakeholder engagement is inherent in the organisation and its pivotal role as a PSMB. PASA cultivates and maintains high-quality relationships with its stakeholders. Nonetheless, PASA is actively ensuring that its employees develop skills for consensus building, ranging from negotiation to facilitation skills. PASA is also experimenting with different ways of quickly building consensus in how it runs its strategic initiatives. A case in point is the work done in defining the principles and short-term roadmap for the Debit Order systems.</p>	<ul style="list-style-type: none"> <li>Early experiments in alternative means of building consensus across a broader stakeholder group, for example, the PIB Design process, are showing promise. PASA is actively ensuring that it learns from each attempt and continuously bolsters its efficacy in managing complex decisions across multiple stakeholders before the implementation of the new membership in the PIB.</li> </ul>

7 New payment models and types of currency 	
<b>What it means to PASA</b>	
<p>New payment models and disruptors from fintechs, platform payments and other ecosystems offer accelerated digital payments. Distributed Ledger Technology, Cryptocurrencies and CBDCs are creating alternative methods of clearing and settling payments, underpinned by new commercial models and possible disintermediation of financial market infrastructures, intermediaries, and participants. This could significantly impact the structure of the financial sector and the function of its role-players.</p>	
Risks	Opportunities
<ul style="list-style-type: none"> <li>Limited capacity to participate in the various sandboxes and proof of concept initiatives running across the industry.</li> </ul>	<ul style="list-style-type: none"> <li>Order of magnitude improvements in the efficiencies, security and costs of digital payments.</li> </ul>
Strategic response	Outlook
<p>PASA continually seeks to support the SARB's Fintech and CBDC initiatives and further attempts to upskill itself in understanding these new emerging models.</p>	<ul style="list-style-type: none"> <li>PASA's involvement in these initiatives is expected to remain limited in the short term.</li> </ul>



## 8 Global harmonisation and regional integration

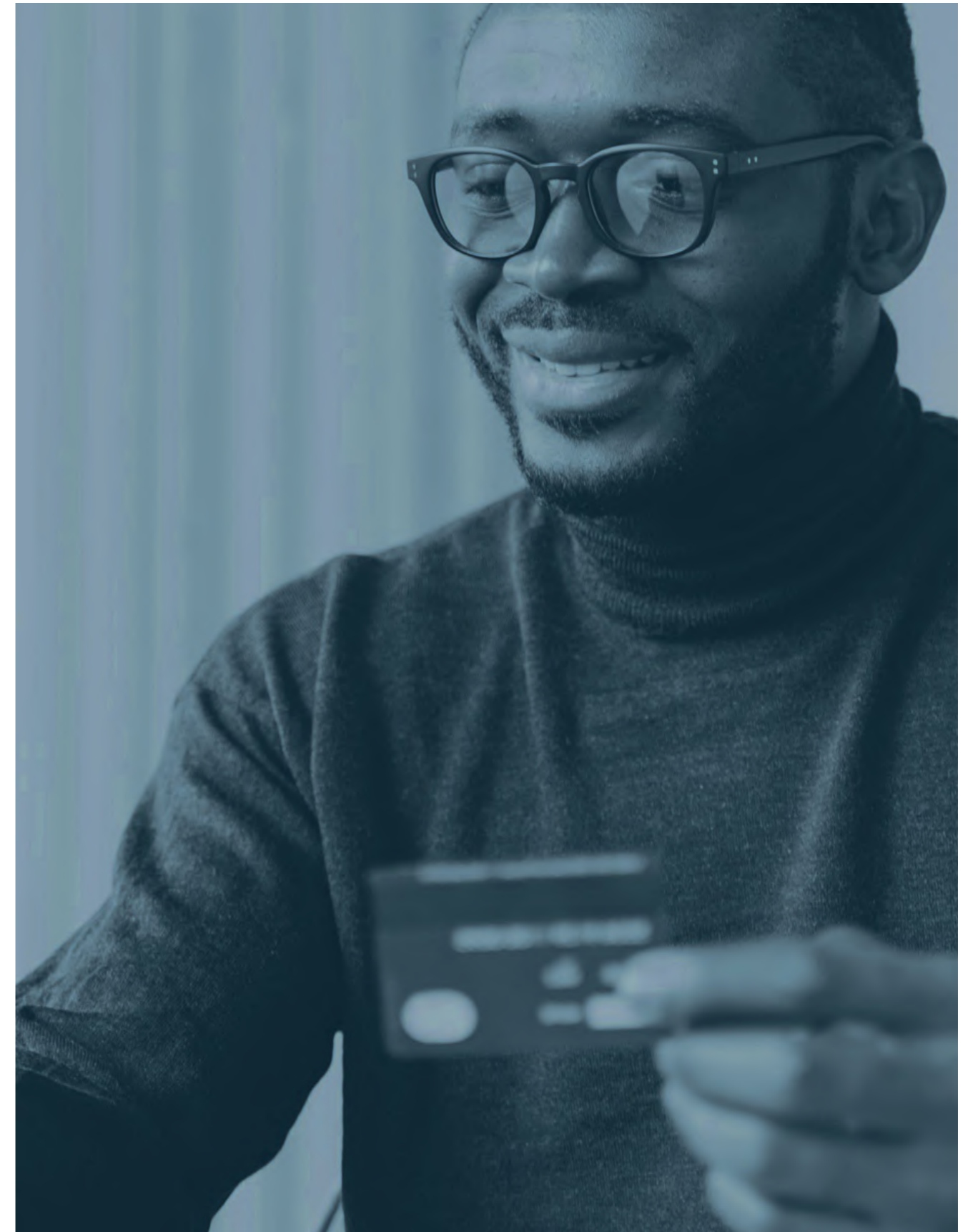
### What it means to PASA

Increasing levels of global payment message format standardisation, driven by the common need for anti-crime and anti-terrorism data, and the drive for regional integration of payment systems, remains an ongoing feature of the global payments environment.

This is coupled with increasing convergence between payment systems, with for example, card systems and real-time payment systems both seeking to offer similar real-time credit payment solutions.

Risks	Opportunities
<ul style="list-style-type: none"> <li>Capacity constraints and lack of international payment skills.</li> </ul>	<ul style="list-style-type: none"> <li>Create additional value for PASA members.</li> <li>Drive regional and domestic efficiencies.</li> </ul>
Strategic response	Outlook
<p>Although PASA does not have a formal role beyond South African borders, adapting to the rising trend of global standardisation, even in its domestic operations, will make it increasingly important to stay abreast of global developments.</p> <p>At the request of PASA members, PASA is also coordinating the South African participants in the current work on CMA low-value payments.</p> <p>Factors driving this collaboration include the need to enhance efficiency and cost-effectiveness, as well as to streamline system integration.</p> <p>Migrant remittances have a significant impact on domestic economies, and this has prompted a G20 initiative aimed at improving the efficiency and affordability of cross-border remittances. At present, PASA has no role in this work.</p>	<ul style="list-style-type: none"> <li>While PASA already plays a role in ensuring domestic standards are aligned to global standards, most specifically relating to SAMOS payments, the PIB design requires the new entity to become a standards authority. The work currently undertaken will need to expand from SWIFT payments to other payment streams.</li> </ul>

**PASA aims to support and act in the best interests of the National Payment System and its members. Working alongside stakeholders, PASA is committed to ensuring the optimal functioning of the National Payment System.**





## STRATEGIC VISION

PASA's strategy is informed by six long-term aspirational 'Cathedral statements' that outline the organisation's envisioned future state, emphasising its commitment to a modern, secure, and inclusive payment system. This desired end state provides a clear representation of PASA's ultimate goals.

While these statements encapsulate PASA's internal organisational strategy, it is important to distinguish them from the strategic direction of the NPS. The PASA scorecard encapsulates both PASA's strategy for its own organisational future and that of the strategy for the NPS.

PASA's strategy work largely involves translating both the SARB Vision 2025 goals (NPS level strategy) and the strategic guidance from its members into a comprehensive and implementable NPS strategy. This process entails close collaboration with stakeholders from BSA, FSCA, the SARB, other PCH Operators, and PASA's members to align objectives and initiatives, extract insights, and foster collective ownership and alignment of plans.

Beyond creating plans, PASA also plays a crucial role in executing or supporting the execution of initiatives derived from this process.

## PASA's Cathedral statements

1. PASA is the go-to trusted thought leader for payments domestically and internationally.
2. We are an inclusive, member-driven payments organisation. The need for our existence is unquestioned and funding us is an easy decision.
3. All our stakeholders experience us as a force for good. We set clear direction, create capacity, and drive policy objectives for the payments industry.
4. Our people are desired worldwide. The best want to work for us – we grow careers in a happy and healthy culture.
5. We drive innovation through creative collaboration and partnerships. We build consensus and mobilise a broad range of stakeholders.
6. We support and promote modern, safe, and efficient payment systems which enable economic growth and meaningful financial inclusion in South Africa.

## STRATEGY AT A GLANCE

### PASA's Purpose

PASA exists to manage payment systems in the interest of economic and social development of South Africa.

The PASA scorecard encapsulates both PASA's strategy for its own organisational future and that of the strategy for the NPS, encompassing strategic focus areas and the set of strategic initiatives that guided strategic execution during 2023.

STRATEGIC FOCUS AREAS	WEIGHTING OF KPIS	STRATEGIC INITIATIVES
1. Industry structure and stakeholder equity	20%	<ul style="list-style-type: none"> <li>Maintaining excellent stakeholder engagement and relationship management</li> <li>Enhancing PASA's legal and rules framework and promoting public transparency</li> <li>Assisting the SARB in the SAMOS/Settlement rules hand over</li> <li>Increasing capacity and skills within the payments industry</li> <li>Enhancing and applying effective risk management models to manage NPS risks</li> </ul>
2. Payment system modernisation initiatives	30%	Specific initiatives linked to the modernisation of Electronic Low Value Payment Systems such as DebiCheck, including the retirement of legacy systems, PayShap, the enhancement of SAMOS and Modernisation of High Value Credits, QR code standardisation and interoperability, and a modernised Fleet Card solution based on EMV standards.
3. PASA's transition to the PIB	30%	<ul style="list-style-type: none"> <li>Regulatory transition to the PIB</li> <li>Logistical and organisational transition to the PIB</li> </ul>
4. Ensure and run an effective organisation	20%	PASA's internal priorities, such as: <ul style="list-style-type: none"> <li>Strengthening financial management</li> <li>Investing in people and organisational health</li> <li>Ongoing focus on risk management and internal compliance capability</li> <li>Progressing PASA's digitalisation journey</li> <li>Continuous focus on cybersecurity risks</li> </ul>

### ASPIRATIONS

Six long-term aspirational statements define PASA's ideal future end state

1. The go-to trusted thought leader for payments domestically and internationally.
2. An inclusive, Member-driven payments organisation – the need for PASA's existence is unquestioned, and funding the organisation is an easy decision
3. Stakeholders experience PASA as a force for good. The organisation sets clear direction, creates capacity and drives policy objectives for the payments industry.
4. PASA's people are desired worldwide, and the best want to work for PASA – the organisation grows careers in a happy and healthy culture.
5. Innovation is driven through creative collaboration and partnerships – PASA builds consensus and mobilises a broad range of stakeholders.
6. Support and promote modern, safe and efficient payment systems that enable economic growth and meaningful financial inclusion in South Africa.

### SARB VISION 2025 GOALS

- Promoting competition and innovation
- Financial inclusion
- Regional integration
- Transparency and public accountability
- Cost-effectiveness
- Interoperability
- A clear and transparent regulatory and governance framework
- Financial stability and security
- Flexibility and adaptability

## PERFORMANCE AGAINST STRATEGY

Council actively engages with management to oversee strategy execution and ensure that PASA maintains effective and transparent risk management and internal control systems.

Performance against strategic objectives is rigorously evaluated through the organisational scorecard, incorporating defined key performance indicators (KPIs). PASA regularly assesses its performance against these objectives and KPIs, with the overall scorecard performance directly influencing annual decisions. The evaluation scale allows for the recognition of overperformance.

PASA's management conducted a self-review to evaluate performance against the 2023 PASA scorecard. The biannual review process assesses PASA's performance against the key performance indicators (KPIs) outlined in the PASA scorecard. PASA has delivered a very credible performance, with few areas for concern, and an overall score of 71.56%, an outcome in the upper range of "Meets KPIs: 60% to 74%".

The performance in 2023 demonstrates a notable increase in consistency across various KPIs when compared to the previous year, with most targets successfully achieved. This improvement is indicative of enhanced performance discipline throughout the broader organisation.

According to the CEO report on [page 10](#), there were two areas where performance fell short of the high standards expected.

Progress and activities undertaken in 2023 against each strategic initiative are outlined below:

STRATEGIC FOCUS AREA		1 Industry structure and stakeholder equity	
STRATEGIC INITIATIVES	PROGRESS ACHIEVED IN 2023	SARB VISION 2025 GOALS	
Maintaining excellent stakeholder engagement and relationship management.	<ul style="list-style-type: none"> <li>Annual stakeholder survey and direct engagement. - Positive feedback: 44% agree, 56% strongly agree on PASA fulfilling responsibilities within the NPS.</li> <li>Robust relationships within the payments industry community.</li> <li>PIPC is the premier event for industry leaders, experts, and policymakers, providing a platform for insights, technology discussions, and networking.</li> </ul>	✓	
Enhancing PASA's legal and rules framework and promoting public transparency.	<ul style="list-style-type: none"> <li>Updates to debit order rules and finalisation of RP rules.</li> </ul>	✗	
Assisting the SARB in the SAMOS/Settlement rules handover.	<ul style="list-style-type: none"> <li>SARB confirmed PASA's fulfilment of requirements.</li> <li>Finalisation of the settlement migration project plan.</li> <li>Helped define the process to transfer Settlement Rules to SARB.</li> </ul>	✓	
Increasing capacity and skills within the payments industry.	<ul style="list-style-type: none"> <li>PASA engaged with multiple industry players and initiated a needs analysis study to identify resource requirements.</li> <li>The study identified five goals to strengthen industry capacity.</li> <li>An implementation plan was presented to Council to recommend how the goals could be achieved.</li> <li>PASA collaborated with the broader industry to prioritise and manage alignment across BASA, BSA, PASA, SABRIC and Regulator Books of Work, ensuring realistic and achievable outcomes.</li> </ul>	✓	
Enhancing and applying effective risk management models to manage NPS risks.	<ul style="list-style-type: none"> <li>New risk champions and PCH PG chairpersons trained on the Risk Management Framework.</li> <li>Ongoing involvement of risk champions in presenting risk profiles at PCH PGs.</li> <li>Integration of RP PCH into the risk management landscape.</li> <li>Monitoring of mitigation of risks with ratings outside tolerance limits.</li> <li>Identification of additional KRIs and monthly monitoring of statistics.</li> <li>Enhancements in transparent risk management reporting, aligned with appetite limits and risk escalation criteria.</li> <li>Development of a risk acceptance framework.</li> </ul>	✓	

STRATEGIC FOCUS AREA		2 Payment system modernisation initiatives	
STRATEGIC INITIATIVES	PROGRESS ACHIEVED IN 2023	SARB VISION 2025 GOALS	
Specific initiatives linked to the modernisation of electronic low-value payment systems such as DebiCheck, PayShap, the enhancement of SAMOS and modernisation of high-value credits, QR code standardisation and interoperability, and a modernised Fleet Card solution based on EMV standards.	<p><b>Modernisation framework for low-value electronic payments, high-value electronic payments and Card payments</b></p> <ul style="list-style-type: none"> <li>Significant progress has been made and strategic dialogues have been conducted in modernising electronic payments across various streams.</li> <li>End state visions and Books of Work were crystallised, and preliminary views articulated.</li> <li>Finalisation of critical strategic decisions for debits following discussions with industry stakeholders.</li> <li>Provision of initial perspectives on FATF Recommendation 16 risks and implications for payments modernisation.</li> </ul> <p><b>PayShap</b></p> <ul style="list-style-type: none"> <li>Developed Rapid Payment rules for PayShap, ensuring security and interoperability.</li> <li>PayShap deployed in March 2023.</li> </ul> <p><b>EMV fleet migration project</b></p> <ul style="list-style-type: none"> <li>Progress was achieved in line with the project plan, with a first go-live date in 2024.</li> </ul> <p><b>QR code interoperability</b></p> <ul style="list-style-type: none"> <li>The PASA Strategy Committee's QR workgroup is in the process of developing a QR Code Interoperability framework for South Africa.</li> </ul>	✓	

STRATEGIC FOCUS AREA		3 PASA's transition to the PIB	
STRATEGIC INITIATIVES	PROGRESS ACHIEVED IN 2023	SARB VISION 2025 GOALS	
Regulatory transition to the PIB.	<ul style="list-style-type: none"> <li>A comprehensive PIB Design Report was submitted to the SARB in 2022, gaining approval in September 2023, marking a key transition milestone.</li> <li>The SARB's PSMB Transition Committee, in which PASA participates, is currently working on mapping out plans and arrangements to ensure a smooth transition.</li> <li>Continued engagement with stakeholders and enhancing communication with both stakeholders and PASA employees.</li> <li>Proposed changes to the original PIB design, including legal entity type, discussed with the broader industry to simplify the execution path.</li> </ul>	✓	
Logistical and organisational transition to the PIB.	<ul style="list-style-type: none"> <li>Completed defining the PIB Transition Plan.</li> <li>Identified and started mitigating (where possible) PIB transition risks in collaboration with stakeholders.</li> <li>Ongoing efforts to strengthen PASA's capacity to manage PIB operations and transition functions concurrently. The transition path is simplified through community approval of the reuse of the PASA legal entity for the PIB.</li> <li>Implementation of change management interventions to facilitate the transition to the new PIB structure and processes.</li> <li>Formalisation of workstreams and commencing the process of onboarding service providers where necessary to support the execution phase.</li> </ul>	✓	

# HOW PASA CREATES VALUE



4 Ensure and run an effective organisation		
STRATEGIC FOCUS AREA	PROGRESS ACHIEVED IN 2023	SARB VISION 2025 GOALS
PASA's internal priorities, such as: • Strengthening financial management.	<ul style="list-style-type: none"> <li>• Continuous improvement to financial controls and management.</li> <li>• Implementation of an automated calculator for membership calculations and invoicing.</li> <li>• As part of the regular review cycle, finance policies were updated: Finance, Debt Recovery, Investment and Procurement.</li> <li>• Successful achievement of a clean external audit with no significant findings.</li> </ul>	
Investing in people and organisational health.	<ul style="list-style-type: none"> <li>• Implemented leadership development and coaching programmes aligned with performance objectives.</li> <li>• Promotion of a performance-based culture supported by a well-being plan for employee health and satisfaction.</li> <li>• Initiated the development of a compelling employee value proposition.</li> <li>• Focus on employee engagement based on survey feedback.</li> <li>• Regular townhall sessions aimed at fostering change resilience and transparency in communication.</li> <li>• Attempting to establish a robust succession plan and talent pool for key roles, ensuring organisational continuity.</li> </ul>	

Ongoing focus on risk management and internal compliance capability.	<ul style="list-style-type: none"> <li>• Embedded a risk-aware culture through awareness training and simulated phishing exercises.</li> <li>• Integration of risk, compliance, and information security responsibilities into employees' performance contracts.</li> <li>• Successful completion of independent policy compliance reviews and quarterly risk assessment reviews.</li> <li>• Regular monthly risk event reporting and IT risk assessments, including penetration testing.</li> <li>• Reporting and escalation of significant risk events to Council Committees.</li> <li>• Customised risk reporting aligned with appetite and tolerance limits to ensure effective risk management and internal compliance.</li> <li>• Development of a risk acceptance framework.</li> </ul>	
Progressing PASA's digitalisation journey.	<ul style="list-style-type: none"> <li>• Delays in PASA's Member Portal implementation.</li> <li>• The RFP process for an alternative solution provider was initiated and finalised early in January 2024.</li> </ul>	
Continuous focus on cybersecurity.	<ul style="list-style-type: none"> <li>• Conducting phishing test simulations and mandatory training for all employees.</li> <li>• Addressing end-user device encryption by activating BitLocker startup key for additional access passwords.</li> <li>• Implementation of features enabling remote wiping of user data/devices and locking out users from devices for enhanced data protection.</li> </ul>	







## STAKEHOLDER ENGAGEMENT

### How PASA enhances value for key stakeholders

PASA's commitment to collaboration and stakeholder engagement is inherent in the organisation and its pivotal role as a PSMB. PASA cultivates and maintains high-quality relationships with its stakeholders.

### How PASA engages with its stakeholders

PASA actively engages with its stakeholders through a comprehensive approach that encompasses formal and informal interactions, structured meetings, and participation in industry-wide initiatives. Regular dialogue is maintained with key stakeholders through operational, strategy, and project committee meetings, ensuring their voices are heard and concerns addressed.

PASA prioritises direct engagement with select stakeholders, particularly those listed against the CEO, through a dedicated CEO diary plan that translates into scheduled meetings throughout the year. Additionally, PASA leverages PASA structures, stakeholder forums and the PIB community platform to engage with a broader range of stakeholders, ensuring regular interactions and fostering a collaborative environment.

To effectively navigate the PIB transition, PASA will enhance its existing stakeholder engagement plan to incorporate PIB transition-related elements.

### Assessing the quality of PASA's stakeholder relationships

PASA continuously seeks feedback from key stakeholders to evaluate the strength and effectiveness of its relationships. This feedback includes soliciting input from BASA, BSA, the FSCA, the SARB, and the broader payments industry community. PASA gathers this feedback through a combination of surveys and direct engagements, ensuring a comprehensive understanding of stakeholder perspectives.

In 2022, PASA conducted its first stakeholder engagement survey to assess its overall effectiveness. The positive feedback received from key stakeholders affirmed PASA's value add. PASA has now made stakeholder engagement an annual practice, and feedback in 2023 was equally positive, with 44% agreeing and 56% strongly agreeing that PASA effectively fulfils its responsibilities within the NPS.

Stakeholders commended PASA for its knowledgeable, skilled, and professional team, strong leadership, expertise in the payments industry, efficient communication, facilitation of member collaboration, ability to navigate challenging conversations, and commitment to enhancing the NPS effectiveness and stakeholder inclusion.

This ongoing commitment to stakeholder engagement demonstrates PASA's dedication to fostering strong relationships and ensuring its continued relevance and impact in the payments landscape.

<p><b>Members</b></p>	<p><b>PASA commitment</b> PASA aims to support and act in the best interests of the NPS and its Members, whose contributions fund PASA's activities.</p>
<p><b>Material matters</b> <b>Strategic focus areas</b> </p>	
<p><b>Material concerns and expectations</b></p> <p>Members expect ongoing management of the National Payment System, compliance with rules and risk management, and ensuring that the NPS remains fit for purpose by prioritising appropriate modernisation projects. This includes supporting and enabling payment system enhancements innovation.</p> <p>PASA is expected to provide adequate administrative and governance processes for Member structures, as well as to ensure regulatory support and alignment.</p> <p>PASA should ensure it creates a platform for payments participants to compete equally while providing value for money from Member funding contributions.</p> <p>PASA is expected to transition to the PIB while maintaining legal certainty and ensuring no adverse effects on PASA members or their activities in the NPS.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <ul style="list-style-type: none"> <li>• Create platforms for Members to manage payment systems and ensure Member activities are effectively administrated and conducted in line with sound legal and regulatory frameworks.</li> <li>• Maintain industry-wide relationships and support collaboration between Members on payments matters.</li> <li>• Ensure interoperability of payment systems between Members and manage new projects on behalf of Members.</li> <li>• Be a catalyst for payments modernisation.</li> <li>• Manage risk effectively to ensure a safe and sound NPS.</li> <li>• Support Members with consumer awareness content for their use.</li> <li>• Support capacity building in payments through PASA's training programmes.</li> <li>• Support regulatory initiatives aimed at equal regulation for all payment service providers.</li> <li>• Ensure a robust, inclusive and transparent process of designing and transitioning to the PIB.</li> </ul>

<p><b>Payment Service Providers who are not PASA Members</b></p>	<p><b>PASA commitment</b> To ensure the NPS remains effective, PASA must ensure it understands and considers the perspectives of all payment service providers, including non-banks, who also contribute to modernisation.</p>
<p><b>Material matters</b> <b>Strategic focus areas</b> </p>	
<p><b>Material concerns and expectations</b></p> <p>For payment service providers who are not Members, PASA must promote payment system modernisation and inclusion by strengthening collaboration within the payment system.</p> <p>Payment service providers expect clarity on the impact of PASA's rules on their commercial activities, as well as visibility and input into changes to PASA that could impact their businesses.</p> <p>Payment service providers continue to find value in ongoing training and development opportunities to improve capacity.</p> <p>The payments community expects PASA to design and implement the PIB in a fair, credible, inclusive and transparent manner.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <ul style="list-style-type: none"> <li>• Be proactive in stakeholder management, awareness and communication.</li> <li>• Provide a consultive platform to ensure all perspectives and views are understood and considered on NPS - related matters.</li> <li>• Engage and consult a broader stakeholder community on new payments developments.</li> <li>• Support non-bank payment service providers with education and awareness.</li> <li>• Support non-bank payment service providers' capacity building in payments through PASA's training programmes.</li> <li>• Involve all stakeholders in the PIB process and ensure regular updates and communication.</li> </ul>

# HOW PASA CREATES VALUE



<p><b>PSOs</b></p>	<p><b>PASA commitment</b> PSOs play a critical role in the NPS by processing and clearing payment instructions. PASA must therefore provide PSOs with certainty regarding their ability to operate and manage their systems and products.</p>
<p><b>Material matters</b></p>	<p><b>Strategic focus areas</b></p>
<p><b>Material concerns and expectations</b></p> <p>PSOs expect PASA to maintain close working relationships among industry players and ensure the efficiency, effectiveness and interoperability of the NPS. Oversight of risk management and assistance with incident management are material concerns and expectations.</p> <p>PSOs have similar expectations of the PASA transition to the PIB as other stakeholders.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <ul style="list-style-type: none"> <li>• Collaboratively define target states and transition paths for payment systems.</li> <li>• Align on payment system risk and ensure that appropriate risk mitigation measures are identified and implemented.</li> <li>• Coordinate incident and crisis alleviation activities.</li> <li>• Guide required service level agreements and PCH objectives to operate a payment system effectively.</li> <li>• Engage and consult on new payments developments.</li> </ul>

<p><b>Bank and non-bank industry bodies</b></p>	<p><b>PASA commitment</b> Facilitating strong working relationships between bank and non-bank industry bodies is critical to ensure South Africa's financial services industry can respond to the rapid evolution of the payments landscape.</p>
<p><b>Material matters</b></p>	<p><b>Strategic focus areas</b></p>
<p><b>Material concerns and expectations</b></p> <p>PASA continues to respond to concerns around the commercial viability of debit order rules. Bank and non-bank industry bodies further expect PASA to promote inclusion among payment system participants by strengthening collaboration within the payment system.</p> <p>Industry bodies expect to be consulted and included in PASA's transition to the PIB.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <ul style="list-style-type: none"> <li>• Provide a platform to ensure all perspectives and views are understood and considered in NPS-related matters.</li> <li>• Engage a broader stakeholder community in new payments developments.</li> <li>• Support providers of payment services with consumer education and awareness of payments.</li> <li>• Support non-bank payment service providers' capacity building in payments through PASA's training.</li> </ul>

<p><b>Regulators</b></p>	<p><b>PASA commitment</b> South Africa's financial services industry is highly regulated. Ongoing collaboration and engagement with relevant regulatory authorities is critical to maintain stability and drive South Africa's economic and social agenda.</p>
<p><b>Material matters</b></p>	<p><b>Strategic focus areas</b></p>
<p><b>Material concerns and expectations</b></p> <p>For regulators, PASA plays a critical role in supporting public policy objectives and the rollout of payments modernisation. This includes facilitating the achievement of the goals and objectives articulated in Vision 2025. To do this, regulators require PASA to ensure risk mitigation and a competitively equal environment while maintaining the stability, efficiency, effectiveness, and interoperability of the NPS.</p> <p>Regulators expect that the PIB transition will result in a new entity that can continue to coordinate member activities and ensure the interoperability of the NPS.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <p><b>The SARB</b></p> <ul style="list-style-type: none"> <li>• Support the SARB with the execution of the Payments Policy and provide input in support of policy formulation.</li> <li>• Align payments initiatives and industry strategy to Vision 2025.</li> <li>• Drive initiatives that will support interoperability and ensure a safe and sound NPS.</li> <li>• Support consumer awareness of payments and contribute to the national knowledge base in payments through PASA's training programmes.</li> <li>• Ensure adherence of Members to PASA rules.</li> </ul> <p><b>Other regulators with payments-related jurisdiction</b></p> <ul style="list-style-type: none"> <li>• Provide regulators with a valuable platform to promote their policy goals and objectives.</li> <li>• Act as a single point of contact to a vital industry base to solicit policy input and drive policy objectives and initiatives.</li> <li>• Provide payments training where required.</li> <li>• Manage regulatory-driven projects with payments impact where required.</li> </ul>

<p><b>Customers</b></p>	<p><b>PASA commitment</b> Millions of payments are made by South African citizens and businesses daily. It is essential that the NPS provides consumer protection and enables a competitive, safe, and efficient payment system.</p>
<p><b>Material matters</b></p>	<p><b>Strategic focus areas</b></p>
<p><b>Material concerns and expectations</b></p> <p>As the country's PSMB, PASA is expected to drive fraud mitigation to ensure that customers have access to a stable, cost-effective and transparent payment system that promotes financial inclusion.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <ul style="list-style-type: none"> <li>• Ensure safe and sound payment systems.</li> <li>• Awareness of specific payment matters.</li> <li>• Ensure that the rights of consumers are balanced with those of other users of payment systems.</li> </ul>



**Leveraging available financial and human resources, PASA balances competing priorities to maximise value creation and mitigate value erosion, continually striving to add value for all stakeholders.**

# HOW PASA CREATES VALUE



<p><b>International industry bodies</b></p>	<p><b>PASA commitment</b> To strengthen collaboration and capacity within the regional and global payment systems, PASA engages and maintains close working relationships with international industry bodies.</p>
<p>Material matters  Strategic focus areas <span style="float: right;">1 2</span></p>	
<p><b>Material concerns and expectations</b></p> <p>PASA is expected to drive alignment with global industry standards to ensure regional and global integration of payment systems. This should be supported by engagement and collaboration with regional and global industry players and the sharing of knowledge and best practice.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <ul style="list-style-type: none"> <li>• Contribute to knowledge sharing among the international payments community.</li> <li>• Gain insights from other jurisdictions to share with local stakeholders.</li> </ul>

<p><b>Government</b></p>	<p><b>PASA commitment</b> Strong working relationships between the government and the financial services industry help improve the resilience of the NPS.</p>
<p>Material matters  Strategic focus areas <span style="float: right;">1 2</span></p>	
<p><b>Material concerns and expectations</b></p> <p>The government expects a safe and sound NPS to support its activities and objectives, including the payment of social grants and government employee salaries.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <ul style="list-style-type: none"> <li>• Support government-to-person payment needs.</li> <li>• Mobilise industry support for government needs.</li> </ul>

<p><b>Employees</b></p>	<p><b>PASA commitment</b> PASA's 51 employees are essential to fulfilling its role.</p>
<p>Material matters  Strategic focus areas <span style="float: right;">3 4</span></p>	
<p><b>Material concerns and expectations</b></p> <p>PASA is focused on being an employer of choice, underpinned by access to training, ensuring a high-performance culture and recognising the importance of employee wellness.</p> <p>Employees continue to value transparency and communication across all levels of the organisation. This is particularly important to manage any uncertainty about job security due to the PIB transition.</p> <p>As ways of working continue to evolve, it is important that PASA balances employee needs by managing a viable hybrid working model.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <ul style="list-style-type: none"> <li>• A unique collection of payments experts in relevant payment areas, who can demonstrate their expertise on national and international platforms.</li> <li>• Tapped into and part of a strong and vibrant national and global network of payments professionals.</li> <li>• Opportunity to participate in and share and gain insight from local and global seminars.</li> <li>• Development of payments technical and specialist skills in alignment with organisational requirements.</li> <li>• Increasing focus on new ways of work and employee wellness and resilience.</li> <li>• Increasing focus on culture change management.</li> <li>• Increasing HR capacity, including a focus on performance management and career projection.</li> <li>• High levels of transparency and communication regarding the PIB and other developments.</li> <li>• Development of a unique and compelling employee value proposition value proposition.</li> <li>• Comprehensive succession planning.</li> <li>• Targeted capacity building programme to equip employees for key roles.</li> </ul>

<p><b>Training providers and other learning institutions</b></p>	<p><b>PASA commitment</b> PASA engages with other providers of payment training. PASA has also, on an annual basis, supported the Georgetown University Masters in Finance degree by providing, supporting and overseeing topics for students.</p>
<p>Material matters  Strategic focus areas <span style="float: right;">1 4</span></p>	
<p><b>Material concerns and expectations</b></p> <p>Increasingly, other training institutions engage with PASA to partner in providing meaningful and comprehensive training. Their expectation is that PASA is a source of technical expertise and will act in the interests of the broader community, rather than as a competitor.</p> <p>Georgetown University expects PASA to present meaningful, topical, real-world problems for their students to engage and learn from, and to generate value for the organisation.</p>	<p><b>PASA's response and value-adding role (opportunities)</b></p> <ul style="list-style-type: none"> <li>• PASA does not believe that it should be the sole providers of payments-related training and sees the opportunity to engage and ultimately partner with other training providers.</li> <li>• PASA believes that there is an opportunity to engage with other institutions of higher learning to support their students with exposure to the payments industry.</li> </ul>



## GOVERNANCE PHILOSOPHY

PASA Council is committed to ensuring that PASA remains a valuable role-player in safeguarding the NPS and bringing the industry together, underpinned by ethics, integrity and good governance practices.

## GOVERNANCE APPROACH

The fiduciary duty of PASA Council and its Councillors is to act in the interest of the NPS and PASA while fairly representing its Members' interests. PASA subscribes to King IV's™ voluntary principles and leading practices in support of this unique mandate.

Good corporate governance is achieved through PASA Council's commitment to ethical and effective leadership, strategic direction setting, and appropriate oversight towards achieving the four governance outcomes of ethical culture, good performance, effective control, and legitimacy.

### Good performance

- Determining strategic direction and assisting PASA in achieving its strategic objectives in the best interest of the NPS.
- Overseeing performance through regular reporting, specifically on the identified focus areas.
- Performing biennial assessments of PASA Council, its Committees and individual Councillors and an ongoing appraisal of PASA Council and its Committees' adherence to their responsibilities.
- Investing in human capital and creating the environment in which employees can apply their expertise to execute PASA's strategy successfully.

### Effective control

- Ensuring risk management policies, practices, frameworks and tolerance limits are adequately monitored.
- Ensuring regulatory compliance.
- Providing effective financial management and reporting through the Audit Committee and external audit.

### Legitimacy

- Ensuring PASA Council and its Committees' composition is optimised, outside interests are adequately disclosed, and that Councillors act with a fiduciary duty and in the best interest of PASA and the NPS.
- Delegating power to PASA structures and Council Committees, ensuring:
  - Effective engagement and involvement of Members and other stakeholders in the operations.
  - Exercising of independent and unfettered judgement and effective discharge of PASA Council's responsibilities.
  - Implementing comprehensive stakeholder engagement policies and plans.

### Ethical culture

- Ensuring executive focus on living PASA's values and regular engagement with employees on the values.
- Measuring employee performance on a two-dimensional scale, including what was delivered and how it was delivered (ethical behaviour aligned with PASA's values).
- Fair and transparent remuneration practices.

## GOVERNANCE STRUCTURE

PASA Council is the governing body, accountable for achieving PASA's objectives and ensuring that PASA's vision, mission and values are implemented and upheld.

Council is responsible for the effective governance of PASA and its structures. It delegates powers to Council Committees to assist it with executing its responsibilities.

The ExCo is responsible for PASA's day-to-day business management and operations, which includes the execution of strategy and managing risk.

The PASA Constitution mandates the CEO to establish project steering committees to assist with the management and implementation of PASA projects.

Regular engagement takes place with impacted parties who are not PASA Members in stakeholder forums.

For a full depiction of the PASA governance structure [click here](#)

The payments industry has supported the reuse of the PASA legal entity (a voluntary association) for the PIB.

## Heightened Council focus areas

- Payment system modernisation** read more on [page 33](#).
- PIB transition planning and execution** read more on [page 24](#).
- People skills and capacity** (PASA continuity and PIB transaction execution) read more on [page 25](#).
- Resilience** - including payment systems resilience, electricity resilience, connectivity resilience, and impacts of major weather events read more on [page 34](#).
- Onboarding of new Independent Councillors and the Company Secretary** read more on [page 46](#) and [53](#).

## Key governance actions in 2023

- Appointment of two new Independent Councillors ([page 46](#)).
- Ingrid Goodspeed replaced Megan Brown as the Chairperson of the Audit Committee in 2023 ([page 47](#)).
- Increased focus on Councillor independence including regular review of Independent Councillors' involvement in other PASA initiatives and PASA projects ([page 50](#)).
- An approved Training Plan which includes a combination of compulsory and optional components ([page 47](#)).
- The Risk Committee recommended the constitution of an IT Risk subcommittee which will start to operate during the course of 2024 ([page 49](#)).
- PASA Council and the Remuneration Committee, together with the ExCo, undertook a recruitment process to appoint a Company Secretary as of 1 December 2023 ([page 53](#)).
- Important revisions to the Remuneration Policy were approved by the Remuneration Committee ([page 55](#)).



## CORPORATE GOVERNANCE ALIGNED TO KING IV™ PRINCIPLES

### Principles 1 - 3: Leadership, ethics and corporate citizenship



#### Embedding an ethical culture

Ethical and effective leadership complement and reinforce one another. By setting an example of ethical conduct, Councillors demonstrate their continued commitment to PASA's values.

The PASA Constitution holds Councillors to account by outlining best practices in terms of good conduct, fiduciary responsibilities, and conflict of interests. The PASA Constitution also deals extensively with Members' obligations and responsibilities, ultimately requiring alignment with policy objectives.

PASA Council assumes ultimate responsibility for PASA's ethical performance. However, they hold executive management equally accountable for implementing the PASA ethical framework and ensuring effective governance, risk, and compliance management practices. This approach provides reassurance that PASA is effectively and ethically executing its mandate.

PASA's employees are subject to multiple policies, including an Ethics Policy. This supports a culture of transparency and fairness.

#### Corporate citizenship

PASA commits itself to operating in a manner that is fair, responsible and transparent through the promotion of sustainable business practices, environmental protection, and employee development.

PASA monitors the following social matters:

Focus area	Response
Social and economic development	<ul style="list-style-type: none"> <li>Corruption: PASA's code of conduct sets out the required levels of integrity, honesty, fairness, and trustworthiness.</li> <li>Employment Equity: PASA has a functioning People Committee which monitors Employment Equity, Diversity and Inclusion, and Skills Development.</li> </ul>
Good corporate citizenship	<ul style="list-style-type: none"> <li>Promotion of equality, and prevention of unfair discrimination: This is addressed through the Ethics Policy, Employee Relations Policy and Employment Equity Policy.</li> <li>Contribution to the development of communities: Corporate Social Responsibility (CSR) forms part of the HR well-being strategy which includes charitable giving as part of the CSR initiatives.</li> </ul>
Ethical leadership	<ul style="list-style-type: none"> <li>The fiduciary duty of PASA Council and its Councillors is to act in the interest of the NPS and PASA while fairly representing its Members' interests as required by the NPS Act. PASA subscribes to King IV's™ voluntary principles and leading practices in support of this mandate.</li> <li>Good corporate governance is achieved through PASA Council's commitment to ethical and effective leadership, strategic direction setting and appropriate oversight towards achieving the four governance outcomes of ethical culture, good performance, effective control, and legitimacy.</li> </ul>
Environment, health, and public safety	<ul style="list-style-type: none"> <li>PASA's operations have a low environmental impact, and on a broader societal level, PASA has a positive environmental impact through driving digital payments. This involves leveraging technology for modernising the NPS and moving the NPS from paper payments to more electronic payment means.</li> </ul>
Labour and employment matters	<ul style="list-style-type: none"> <li>The Employee Relations Policy has been redrafted and approved by the Remuneration Committee. It addresses all labour and employment matters.</li> <li>All labour and employment matters are compliant with labour legislation. PASA has appointed labour consultants to assist with labour employment-related matters if they are referred to the Commission for the Conciliation, Mediation and Arbitration (CCMA) or the Labour Court. The HR team deals with labour and employment matters internally.</li> </ul>

### Principles 4 - 5: Strategy, performance and reporting



PASA Council is responsible for setting PASA's strategy and delivering long-term value to its Members, the SARB NPSD and other stakeholders. In addition, it provides constructive challenge to management in the execution of strategy and ensures PASA maintains effective and transparent risk management and internal control systems.

The strategy is aligned to SARB's Vision 2025 which provides the roadmap to building a world-class NPS that serves the economy and people of South Africa.

PASA evaluates its strategic initiatives against the objectives articulated in Vision 2025 and has initiated several strategic projects on behalf of its Members.

Strategy execution continues to be measured through a scorecard, and performance is assessed against weighted key performance indicators (KPIs). PASA Council critically considers PASA's performance against the objectives and KPIs.

The internal strategy process of the organisation's strategy function helps to create strategic positions that align with the industry's needs. This ensures that PASA remains a significant and valuable role-player in the NPS.

For details on PASA's strategy see [page 37](#) and for performance against strategy see [page 38](#).

PASA publishes an annual Integrated Report and Annual Financial Statements. The Integrated Report is reviewed and approved by Council. The Annual Financial Statements are reviewed by the Audit Committee and recommended to Council for approval. Both documents are available on the PASA website.





## Principles 6 - 7: PASA Council



Councillors are the custodians of governance within PASA. Councillors bring diversity to PASA Council deliberations and create sustained value by constructively challenging executive management's strategy and risk management execution.

											
<b>Sydney Gericke (65)</b>	<b>Ingrid Goodspeed (70)</b>	<b>Herman Singh (63)</b>	<b>Fay Mukaddam (52)</b>	<b>Thami Moatshe (48)</b>	<b>Ghita Erling (51)</b>	<b>Tim Masela (63)</b>	<b>Shaun Rayfield (54)</b>	<b>Charl Smedley (58)</b>	<b>Richard Stocken (53)</b>	<b>Gabriella Teixeira (57)</b>	
Independent Chair	Independent Deputy Chair	Independent Councillor	Independent Councillor	Independent Councillor	Ex Officio Councillor - Chief Executive Officer	SARB Ex Officio Councillor	SARB Ex Officio Alternate Councillor	*Absa Bank appointed Councillor	Absa Bank appointed Councillor	Absa Bank appointed Alternate Councillor	
Joined Council: August 2018	Joined Council: February 2017	Joined Council: May 2021	Joined Council: June 2023	Joined Council: June 2023	Joined Council: November 2020	Joined Council: August 2012	Joined Council: October 2018	Joined Council: August 2020	Joined Council: December 2023	Joined Council: May 2018	
<b>Qualifications:</b> BCom (Hons); MCom; Advanced Management Programme (INSEAD, France); Executive Management Programme (Duke University, USA)	<b>Qualifications:</b> CD(SA); LLB; MBL (Cum Laude); BCom (Hons)(Economics); BCom (Accounting and Economics)	<b>Qualifications:</b> BSc (Engineering) Wits; GDE (Industrial Engineering) (Wits); MBA (Wits Business School)	<b>Qualifications:</b> LLB University of Durban Westville; BA University of Natal – Durban Campus; Advocate of the High Court of SA	<b>Qualifications:</b> MBA; MMFI; PMP; BCom (Hons)	<b>Qualifications:</b> MSC (Eng); BSc (Cum Laude); Executive Development Programme (Wits); Dip (ABRSM)	<b>Qualifications:</b> MCom; BCom; Graduate Diploma in Computer Audit; Senior Executive Programme (Harvard)	<b>Qualifications:</b> BCom Money and Banking	<b>Qualifications:</b> Strategic Project Management (Unisa); Graduate Diploma in Marketing Management; Certificate in Marketing Management * Until October 2023	<b>Qualifications:</b> BSC Chemical Engineering (UKZN); MSC Industrial Engineering (Wits)	<b>Qualifications:</b> BCom (Distinction); Green Belt Lean Six Sigma; Financial Market Instruments; Executive Leadership Diploma (Gibs)	
											
<b>Jill Murtagh (63)</b>	<b>Nolwazi Dlamini (42)</b>	<b>Busi Radebe (49)</b>	<b>Marthinus Janse Van Rensburg (55)</b>	<b>Megan Brown (49)</b>	<b>Boitumelo Legabe (42)</b>	<b>John Elliott (45)</b>	<b>Gerald Byleveld (46)</b>	<b>Ian Carter (56)</b>	<b>Marijke Guest (53)</b>	<b>John Anderson (56)</b>	<b>Rufaida Hamilton (49)</b>
Bidvest Bank appointed Councillor	*Bidvest Bank appointed Alternate Councillor	Capitec Bank appointed Councillor	Capitec Bank appointed Alternate Councillor	FirstRand Bank appointed Councillor	FirstRand Bank appointed Alternate Councillor	Investec Bank appointed Councillor	Investec Bank appointed Alternate Councillor	Nedbank appointed Councillor	Nedbank appointed Alternate Councillor	Standard Bank appointed Councillor	Standard Bank appointed Alternate Councillor
Joined Council: March 2015	Joined Council: June 2022	Joined Council: May 2022	Joined Council: April 2009	Joined Council: February 2017	Joined Council: February 2024	Joined Council: October 2018	Joined Council: September 2022	Joined Council: February 2014	Joined Council: October 2018	Joined Council: October 2018	Joined Council: September 2009
<b>Qualifications:</b> Associate Diploma in Banking; Advanced Diploma in Banking; Project Management Diploma	<b>Qualifications:</b> PDBA; Risk Management (Unisa); B Tech (Internal Audit) * Until June 2023	<b>Qualifications:</b> Postgraduate certificate in AI and Machine Learning; MBA; BSc Electro-Mechanical Engineering; National Diploma Metalliferous Mining	<b>Qualifications:</b> BCom; LLB	<b>Qualifications:</b> CA(SA); CFA; Postgraduate Diploma in Accounting (UCT); BA Business Science (Finance) (Hons) (UCT)	<b>Qualifications:</b> BCom (Hons) - BM (Unisa)	<b>Qualifications:</b> BBusSc (Hons)	<b>Qualifications:</b> Fellow – Association of Chartered Certified Accountants (UK); Certified Anti-Money Laundering Specialist (ACAMS); MBA (Cum Laude); Certified Internal Auditor (Institute of Internal Auditors)	<b>Qualifications:</b> BCom Financial Management (University of KwaZulu-Natal); Asset and Liability Management (INSEAD); International Executive Development Programme (Wits Business School)	<b>Qualifications:</b> MBA	<b>Qualifications:</b> BCom; Master of Business Administration (MBA)(Henley Business School)	<b>Qualifications:</b> BCom (Hons); LLB; BA; Harvard Business School Alumna



PASA Council as at February 2024		
<b>Independent Chair</b> Sydney Gericke	<b>Independent Deputy Chair</b> Ingrid Goodspeed	<b>Independent Councillor</b> Herman Singh
<b>Independent Councillor</b> Fay Mukaddam	<b>Independent Councillor</b> Thami Moatshe	<b>Ex Officio Councillor (voting)</b> Ghita Erling
<b>Ex Officio (non-voting) SA Reserve Bank</b>	Councillor	Tim Masela
	Alternate	Shaun Rayfield
<b>Absa Bank</b>	Councillor	Richard Stocken
	Alternate	Gabriella Teixeira
<b>Bidvest Bank</b>	Councillor	Jill Murtagh
	Alternate	
<b>Capitec Bank</b>	Councillor	Busi Radebe
	Alternate	Marthinus Janse van Rensburg
<b>FirstRand Bank</b>	Councillor	Megan Brown
	Alternate	Boitumelo Legabe
<b>Investec Bank</b>	Councillor	John Elliott
	Alternate	Gerald Byleveld
<b>Nedbank</b>	Councillor	Ian Carter
	Alternate	Marijke Guest
<b>Standard Bank</b>	Councillor	John Anderson
	Alternate	Rufaida Hamilton

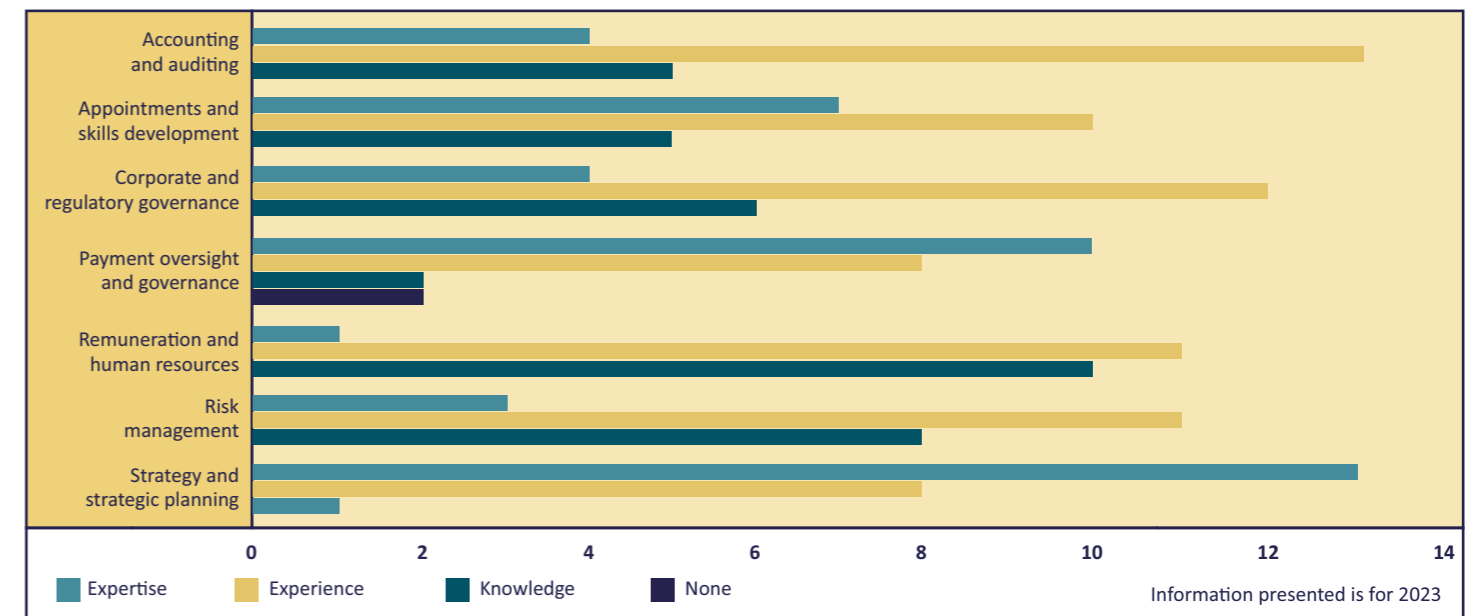
## A knowledgeable, skilled, experienced and independent Council

PASA believes that sustained value creation and preservation is built on skilled, experienced, knowledgeable, effective, and ethical leadership. The calibre of PASA's leadership is embodied in its Councillors' and Members' experience, diversity and commitment. The Nomination and Induction Committee continues to provide Members with guidance on PASA Council composition, bringing greater diversity to PASA Council.

PASA Council is satisfied that it comprises the appropriate balance of knowledge, skills, experience, diversity and independence to effectively execute PASA's mandate and objectively discharge its governance role and responsibilities. The independence of governing body members is considered by the Nomination and Induction Committee and where necessary, corrective action is taken.

PASA Councillors' mix of expertise is highlighted in the graph below. PASA Council reviews the skills mix of its Councillors at least annually.

Council Skills Matrix



## Changes to PASA Council during the year

Changes announced and implemented in the past year, as well as those scheduled to take effect in 2024, include:

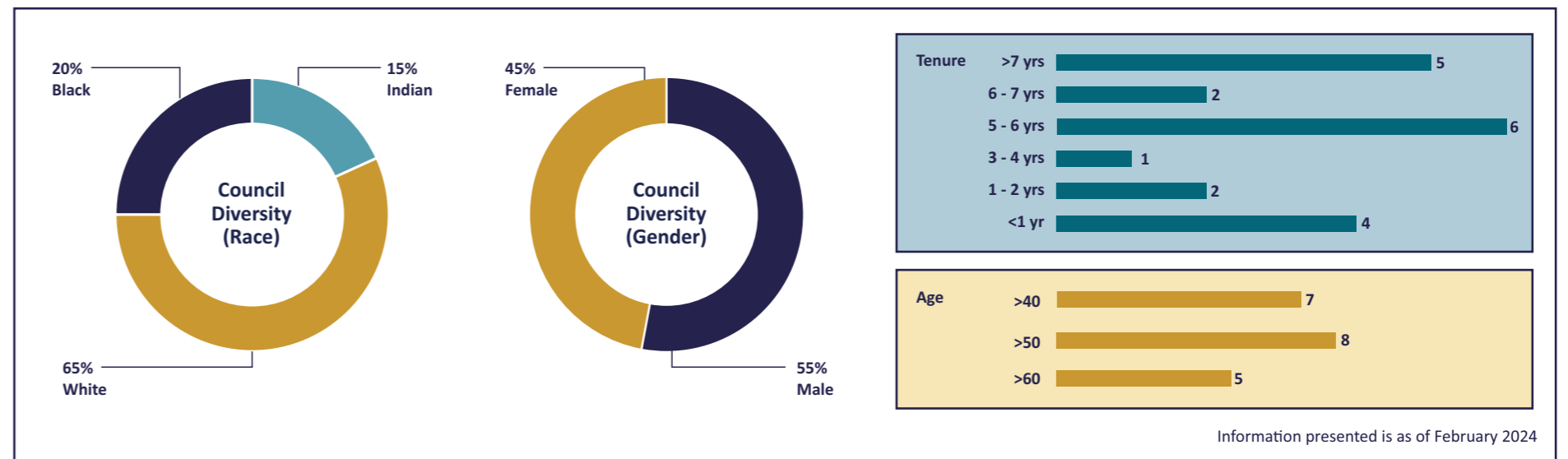
### Appointments

- Fay Mukaddam - joined Council as an independent Councillor from June 2023.
- Thami Moatshe - joined Council as an independent Councillor from June 2023.
- Richard Stocken - joined Council as Absa's appointed Councillor from December 2023.

Boitumelo Legabe - appointed to Council as FirstRand's Alternate Councillor from February 2024.

### Resignations

- Nolwazi Dlamini - resigned as an Alternate Councillor from June 2023.
- Charl Smedley - resigned as a Councillor from October 2023.





## Succession planning

PASA's Nomination and Induction Committee oversees the nomination, induction, and training requirements of all PASA Councillors and is responsible for the succession of the Independent Councillors.

In addition, the committee oversees the CEO's appointment and succession planning.

Members who qualify to appoint Councillors are responsible for ensuring that replacements are appointed as and when required.

## Onboarding, induction and training

Induction for new Councillors includes an information pack as well as introductions to the ExCo members and Chairs for committees on which they serve, where required.

Council endeavours to have a training plan in place which caters for Councillors who are not or have not been in a payments management role within a financial institution.

Training for Councillors is considered annually by the Nomination and Induction Committee.

Compulsory training for Councillors:	Optional training for 2023:
<ul style="list-style-type: none"> <li>• PASA Induction.</li> <li>• Institute of Directors of South Africa-Being a Director programme 1 – 4.</li> <li>• Competition Act training.</li> </ul>	<ul style="list-style-type: none"> <li>• PASA International Payments Conference.</li> </ul>

## PASA Council meetings and attendance

PASA Council meets at least four but up to eight times a year including special, ad-hoc, strategy or AGM meetings. A quorum comprises 80% of voting Councillors. Attendance by Alternate Councillors at meetings of PASA Council is voluntary. The SARB, as an ex officio non-voting Councillor, does not attend PASA Council's strategy sessions.

PASA Council met 10 times during our 2023 financial year.

The Nomination and Induction Committee consider Council and Council Subcommittee meeting attendance. Council is satisfied with the level of attendance at its meetings, which enabled the governing body to fulfil its responsibilities according to its Constitution. Low attendance is addressed.

Meeting attendance for 2023			
Council Member		Alternate	
S Gericke (Chair)	10/10		
I Goodspeed	8/10		
H Singh	10/10		
F Mukaddam	3/4		
T Moatshe	4/4		
T Masela	1/10	S Rayfield	7/10
G Erling	10/10		
J Anderson	9/10	R Hamilton	6/10
M Brown	10/10		
I Carter	7/10	M Guest	5/10
J Elliot	9/10	G Byleveld	2/10
J Murtagh	6/10	N Dlamini	5/5
B Radebe	7/10	M Janse van Rensburg	6/10
C Smedley (left October 2023)	6/9	G Teixeira	0/10

## Principle 8: Committees of PASA Council



PASA Council uses four permanent Council Committees comprising Councillors with experience or expertise in these fields to assist the governing body in effectively fulfilling its responsibilities.

Council Committees have formal constitutions and are adequately and effectively mandated to assist PASA Council in executing its responsibilities.

Council Committees	Audit Committee	Risk Committee	Nomination and Induction Committee	Remuneration Committee	PASA Review Committee
Committee Reports	See page 48	See page 49	See page 50	See page 51	See page 52

PASA Council regularly reviews the composition of its Council committees and made several changes during the 2023 year following the appointment of new Councillors. The Audit, Council Risk, Remuneration and PASA Review Committees were strengthened through these new appointments and are well-equipped to assist PASA Council and PASA's executive management with the planning and oversight required to transition to the PIB.

During 2023 the following changes took place on Council Committees:

- Ingrid Goodspeed replaced Megan Brown as the Chairman of the Audit Committee following changing job circumstances.
- Megan Brown remains on Council and a member of the Audit Committee but opted to exit the Risk Committee.
- Jill Murtagh resigned from the Audit Committee and Remuneration Committee.
- Thami Moatshe was appointed as a member of the Audit Committee and Risk Committee.
- Fay Mukaddam was appointed to the Nomination and Induction Committee and the PASA Review Committee.
- Council Risk Committee is currently constituting an IT Risk subcommittee.

PASA Council and all Council Committees, except the PASA Review Committee, have work plans that list their tasks according to their Constitution. This allows the committees to assess their progress and ensure that they fulfil their mandates.

Committees report on their work to Council at each Council meeting.







## Council Committee reports

Detailed committee reports follow below and provide members' names, focus for the period under review, and focus for 2024.

## Audit Committee Report

*"The Audit Committee's oversight work included evaluation of the adequacy and effectiveness of PASA's financial policies, system of internal controls, and financial reporting. Within the context of PASA's Risk Management Framework, the committee carefully considered the financial risks of the current paradigm as well as those arising from the transition to the PIB. PASA will be facing unprecedented change going forward and the committee is confident that the finance team has the skills, experience and expertise required to continue to fulfil PASA's finance function professionally and prudently."*



Ingrid Goodspeed  
Audit Committee Chair

### Key focus areas and value-creating activities for the period under review

2023 priority actions	Key actions and outcomes	Achieved	Yes	No
Further enhanced PASA's financial reporting, budgeting and forecasting practices.	<ul style="list-style-type: none"> <li>The quality of reporting continues to improve.</li> <li>The 2024 annual budget that considered the current economic environment was delivered on time and approved.</li> </ul>			
Guided continuous improvement of governance, financial controls and oversaw the approval of PASA finance policies, procedures, and the enhancement of the external audit process and outcomes.	<ul style="list-style-type: none"> <li>Reviewed the adequacy of PASA's financial controls.</li> <li>Policies dealing with financial processes and procedures, procurement, debt recovery and investment were updated and approved.</li> <li>The external audit process was improved and streamlined. A clean external audit was achieved with no material findings.</li> </ul>			
Oversight of financial risks relating to the impact on PASA of the pending payments regulatory reform including the financial and tax matters arising as a result of the transition to the PIB.	<ul style="list-style-type: none"> <li>Assessed potential financial risks arising from the PIB transition and considered potential mitigation strategies. The most material risk identified is related to the retention of the PASA tax exemption through the transition.</li> <li>Guidance was sought from the National Treasury regarding tax exemption status and tax effects of the transfer of assets. The National Treasury recommended and supported an amendment to the Tax Act to enable the PIB tax exemption.</li> </ul>			
Oversight of the development of a Financial Risk Recovery Plan.	<ul style="list-style-type: none"> <li>The draft plan incorporates the recovery steps for contingencies including breaches such as PASA falling victim to scams, business emails being compromised, and internal fraud.</li> </ul>			

### Future focus areas 2024

The committee will:

- Continue to oversee the financial reporting, budgeting, and forecasting disciplines.
- Continue to oversee the implementation of approved policies, procedures and the continuous improvement of the external audit process and outcomes.
- Continue to oversee and guide continuous improvement of governance and financial controls.
- Continue oversight of the financial and tax matters arising as a result of the transition to the PIB.
- Oversee and guide the Financial Risk Recovery Plan.
- Oversee and guide remediation of the annual membership invoicing process.

Audit Committee		
<b>Committee purpose and how it contributes to value creation</b>	<ul style="list-style-type: none"> <li>Oversees the integrity and appropriateness of financial reporting and financial risk management.</li> <li>Considers and recommends the external auditors and evaluates their independence and effectiveness.</li> <li>Considers and recommends the annual budget to PASA Council.</li> </ul>	
<b>Members of the committee during the period 1 January 2023 to 31 December 2023 and attendance</b>	<b>Councillors</b> M Brown (Chair until 21 November 2023) 8/8 G Byleveld 3/8 I Goodspeed (Chair from 21 November 2023) 8/8 H Singh 8/8 C Smedley 3/6 T Moatshe 4/4	The committee reports that for the year ended 31 December 2023, it is satisfied that it has fulfilled its responsibilities in accordance with the PASA Constitution, the Committee Constitution, King IV™ and other applicable standards and codes.
<b>Management attendees</b> G Erling C Pariola N Ramabi	<b>Risks the committee oversees</b>  Financial and tax risks	<b>King IV™ principle focus</b>  
<b>Capital focus of the committee</b>  	<b>Stakeholders most served by the existence and focus of the committee</b>   	





## Risk Committee Report

*“Ongoing transition efforts in 2023 further altered the risk landscape. The transition to the PIB, Payment Modernisation, legal challenges, PASA digitalisation and cyber risk management all impacted the PASA team. Given this impact, it was important to ensure the ongoing identification, prioritisation, and mitigation of risks as they arise. The committee played a key role in supporting this objective, promoting responsible risk practices, and ensuring the continued stability and functioning of the organisation, its processes, and its systems. The committee and management team have engaged well to ensure appropriate efforts, focus and success in 2023.”*



Professor Herman Singh  
Risk Committee Chair

Risk Committee Report																				
<b>Committee purpose and how it contributes to value creation</b>	<ul style="list-style-type: none"> <li>Reviews and oversees the management of the organisation's principal and emerging risks, risk appetite and tolerance limits, and the effectiveness of the risk management systems and frameworks.</li> <li>Oversees the principal and emerging risks within the NPS as articulated and managed by PASA management and Members, with input from payments regulators.</li> </ul>																			
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<b>Management attendees</b> G Erling C Pariola N Ramabi	<b>Risks the committee oversees</b> The committee oversees all risks, noting the key focus on people risks by the Remuneration Committee and financial and tax risks by the Audit Committee.	<b>King IV™ principle focus</b> IV 11																		
<b>Capital focus of the committee</b>	<b>Stakeholders most served by the existence and focus of the committee</b>																			

## Key focus areas and value-creating activities for the period under review

2023 priority actions	Key actions and outcomes	Achieved	Yes	No
Oversaw the enhancement and application of effective risk management models to manage risks to the NPS.	<ul style="list-style-type: none"> <li>NPS risk culture entrenchment through ongoing training and guidance.</li> <li>Consideration of risk indicator statistics during the risk assessment reviews.</li> </ul>	✓		
Ensured that risks and issues that may negatively impact PASA (the legal entity) and the NPS (PASA as a PSMB) were identified and mitigated.	<ul style="list-style-type: none"> <li>Ongoing monitoring of risk mitigation measures for PASA organisational and the NPS principal risks.</li> <li>Principal risks clearly defined for reporting to and oversight by Council and Council Committees.</li> <li>Integration of risk appetite and tolerance levels.</li> </ul>	✓		
Oversaw the management of the risks associated with the transition of PASA's operational functions to the PIB.	<ul style="list-style-type: none"> <li>Continued oversight of the key PIB transition risks with a balanced approach between current operational needs and PIB transition requirements.</li> <li>A particular focus remains on the regulatory and governance aspects, key dependencies outside PASA's control, as well as people and capacity risks.</li> </ul>	✓		
Monitored the potential risks to the NPS arising from capacity constraints within the industry.	<ul style="list-style-type: none"> <li>The scorecard has been aligned to the prioritised Book of Work with a specific emphasis on taking capacity constraints into account.</li> <li>Focused attention on people risk, specifically capacity and skills transfer within the high-value payments environment.</li> </ul>	✓		
Monitored the implementation of the industry fraud risk management initiatives within PASA's mandate.	<ul style="list-style-type: none"> <li>Increased focus on push payment fraud, and monitoring initiatives to address this, especially within the legacy credits payment systems environment.</li> <li>Monitored the industry initiatives to develop fraud risk management principles and collaboration between PASA, BASA, BSA, SABRIC, and the SARB NPSD to develop an industry-wide response plan.</li> </ul>	✗		
Oversaw ongoing efforts to improve PASA, the legal Entity (organisational) IT risk management (including cybersecurity risks, IT governance and the IT control environment).	<ul style="list-style-type: none"> <li>The cybersecurity risk and PASA digitalisation focus areas were reviewed, including the penetration test results.</li> <li>Ongoing monitoring of management measures to address penetration testing high-risk findings, and address gaps in the IT control environment.</li> <li>The key focus remains on continuous disaster recovery testing and the development of a cyber risk recovery plan.</li> </ul>	✓		
Oversaw measures to entrench the PASA organisational risk, compliance, and information security culture.	<ul style="list-style-type: none"> <li>Risk, compliance, and information security responsibilities included in Employees' performance contracts.</li> <li>Risk culture entrenchment through awareness training, risk events analysis and case study awareness engagement.</li> <li>Independent policy compliance reviews.</li> </ul>	✓		
Oversaw comprehensive assessments of cross-cutting risks, with a key focus on resilience and contingency planning for potential disasters and system outages.	<ul style="list-style-type: none"> <li>PASA NPS Operational Resilience Policy updated and approved.</li> <li>The development of the Payment Systems contingency measures is underway to address current areas of improvement and improve connectivity resilience.</li> <li>The key focus remains on findings solutions to keep payment systems running in the event of a systemic event.</li> <li>PASA organisational business continuity plan reviewed, and the system outage plan developed. The focus remains on the implementation of supported measures.</li> </ul>	✓		

## Future focus areas 2024

- The committee will:
- Establish an Information Technology Risk Subcommittee to oversee IT governance, risk management and initiatives for building processes to ensure that IT decisions are aligned with PASA's IT architecture.
  - Oversee the enhancement and application of effective risk management models to manage risks to the NPS, including the alignment of risk appetite to risk response measures.
  - Monitor the implementation of the industry fraud risk management initiatives within PASA's mandate.
  - Oversee that PASA NPS and organisational principal risks and key project risks have adequate mitigation measures, and that remedial actions are relevant to address risk exposures in view of approved tolerance limits.
  - Oversee the payment systems contingency planning and connectivity resilience modernisation, to enable continued functionality of payment systems in the event of a systemic event.
  - Monitor the alignment of PASA organisational risk appetite to risk transfer (insurance) measures.
  - Monitor the PASA organisational business continuity and disaster recovery measures, including actions to enable responses to system outages and cyber incidents.
  - Oversee the maintenance of an effective PASA organisational risk management and compliance capability.
  - Oversee ongoing actions to entrench the PASA organisational risk, compliance, and information security culture.
  - Oversee ongoing efforts to improve PASA organisational IT risk management measures (including cybersecurity risks, digitalisation, IT governance and the IT control environment).
  - Oversee the management of the risks associated with the transition of PASA's operational functions to the PIB.



## Nomination and Induction Committee Report

*“The Nomination and Induction Committee strengthened the composition of committees by the appointment of additional Councillors to ensure that PASA Council and its committees can continue with their good governance and oversight of PASA.”*



Sydney Gericke  
Nomination and Induction Committee Chair

Nomination and Induction Committee Report		
<b>Committee purpose and how it contributes to value creation</b>	<ul style="list-style-type: none"> <li>Oversees the nomination, induction and training requirements of all PASA Councillors and is responsible for the succession of the Independent Councillors.</li> <li>Oversees the CEO's appointment and succession planning.</li> <li>Oversees and recommends the composition of Council Committees to PASA Council.</li> <li>Manages Councillors' conflicts of interest.</li> <li>Oversees the biennial assessment of the effectiveness of PASA Council and the Council Committees and the performance of Councillors.</li> </ul>	
<b>Members of the committee during the period 1 January 2023 to 31 December 2023 and attendance</b>	<b>Councillors</b> S Gericke (Chair) 4/4 I Goodspeed 4/4 T Masela (S Rayfield) 4/4 G Teixeira 0/4 B Radebe 4/4 F Mukaddam 1/1	The committee reports that for the year ended 31 December 2023, it is satisfied that it has fulfilled its responsibilities in accordance with the Companies Act, the PASA Constitution, the Committee Constitution, King IV™ and other applicable standards and codes.
<b>Management attendees</b>  G Erling	<b>Risks the committee oversees</b>  Councillor risk	<b>King IV™ principle focus</b> 
<b>Capital focus of the committee</b> 	<b>Stakeholders most served by the existence and focus of the committee</b> 	

## Key focus areas and value-creating activities for the period under review

2023 priority actions	Key actions and outcomes	Achieved	Yes	No
Considered the CEO succession plan in the annual review thereof.	<ul style="list-style-type: none"> <li>The committee strengthened the succession planning for the CEO, with a three to five-year succession view developed during 2023.</li> <li>The committee is satisfied that there are adequate plans in place, with two potential internal candidates.</li> </ul>			
Reviewed the Independent Councillor pipeline and succession.	<ul style="list-style-type: none"> <li>Appointed two new independent Councillors.</li> <li>Continued Council succession planning, with a focus on the Council Chair position.</li> </ul>			
Oversaw the nomination, induction, and training of all PASA Councillors.	<ul style="list-style-type: none"> <li>Councillor training and induction is tracked at each meeting.</li> <li>Reviewed Councillors training requirements to ensure its appropriateness.</li> </ul>			
Oversaw the corporate governance provisions for Councillors.	Introduced: <ul style="list-style-type: none"> <li>Oversight of the annual attestation by PASA Councillors as to their independence.</li> <li>Enhancement of the biennial assessment of PASA Councillors to include additional questions on their independence and independent conduct.</li> <li>Regular review of Independent Councillors' involvement in other PASA initiatives and/or PASA projects.</li> </ul>			
Identified and recommended to Members the appointment of additional Independent Councillors to PASA Council.	<ul style="list-style-type: none"> <li>Fay Mukaddam and Thami Moatshe were appointed as Independent Councillors in June 2023. All five approved Independent Councillor positions have been filled with their appointments.</li> </ul>			
Oversaw the composition of Council Committees and any changes thereto.	<ul style="list-style-type: none"> <li>Dealt with resignations and appointments and resultant make-up of committees.</li> </ul>			

## Future focus areas 2024

- The committee will continue to:
- Oversee the biennial review of PASA Council, the Council Committees, the Chairperson, the CEO and the Company Secretary to ensure the appropriate execution of their mandates.
  - Oversee the composition of Council Committees.
  - Oversee the nomination, induction and training of all PASA Councillors.
  - Oversee the corporate governance provisions for Councillors.
  - Oversee the appointment of a successor for the current Chairperson of Council.
  - Improve the training plan and curriculum for Councillors.



## Remuneration Committee Report

*“In 2023 we continued to experience significant change and uncertainty. The transition to the PIB, Payment Modernisation, localisation, legal challenges etc. all impacted the PASA team. Given this impact, it is critical that people practices, and reward and remuneration are seen to take cognisance of the challenges and appropriately recognise the contribution and the worth of people. The committee played a key role in supporting this objective, promoting good people practices and ensuring the continued well-being of the team. Importantly though, it is the management team that ultimately drives the people practices and I would like to recognise the efforts and success in 2023.”*



John Anderson  
Remuneration Committee Chair

Remuneration Committee Report																
<p><b>Committee purpose and how it contributes to value creation</b></p> <ul style="list-style-type: none"> <li>Oversees remuneration policies and practices to ensure that these collectively support PASA's strategic objectives and positive outcomes in the short, medium and long-term.</li> <li>Oversees the overall headcount and that the approval of remuneration and incentives at all levels is fair, transparent and promotes the achievement of sustainable value creation.</li> <li>Oversees the succession, appointment and retention of appropriately skilled, experienced and diverse executives and senior personnel.</li> <li>Oversees all HR-related aspects, including labour practices, people and performance management policies, employee composition and equity, and fringe benefits.</li> <li>Oversees the remuneration of the Independent Councillors to ensure that the remuneration is fair, responsible and transparently disclosed.</li> </ul>	<p><b>Members of the committee during the period 1 January 2023 to 31 December 2023 and attendance</b></p> <table border="1"> <thead> <tr> <th>Councillors</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td>J Murtagh (Chair February)</td> <td>2/2</td> </tr> <tr> <td>I Carter (Chair May)</td> <td>5/6</td> </tr> <tr> <td>S Gericke (Chair July and October)</td> <td>6/6</td> </tr> <tr> <td>I Goodspeed</td> <td>6/6</td> </tr> <tr> <td>B Radebe</td> <td>5/6</td> </tr> <tr> <td>J Anderson (Chair September and November)</td> <td>2/4</td> </tr> </tbody> </table>		Councillors	Attendance	J Murtagh (Chair February)	2/2	I Carter (Chair May)	5/6	S Gericke (Chair July and October)	6/6	I Goodspeed	6/6	B Radebe	5/6	J Anderson (Chair September and November)	2/4
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<p><b>Management attendees</b></p> <p>G Erling      N Ramabi C Pariola      D Pillay</p>	<p><b>Risks the committee oversees</b></p> <p>People risk</p>	<p><b>King IV™ principle focus</b></p> <p>IV<sup>14</sup></p>														
<p><b>Capital focus of the committee</b></p> <p>FC      S/RC      HC</p>		<p><b>Stakeholders most served by the existence and focus of the committee</b></p> <p>E</p>														

Key focus areas and value-creating activities for the period under review		
2023 priority actions	Key actions and outcomes	Achieved Yes  No
Exercised oversight in addressing critical skill shortages by guiding and reviewing PASA's contribution to industry capacity creation through the implementation of PASA's internal capacity-building programme.	<ul style="list-style-type: none"> <li>PASA has launched a targeted capacity building programme to hire and provide training and development opportunities to enhance graduates' skills and knowledge in payments.</li> </ul>	
Continued to ensure robust change management and ongoing employee communication to assist PASA employees through the transition to the PIB.	<ul style="list-style-type: none"> <li>The PIB change management plan features continuous communication, well-being initiatives, and leadership and management development. This ongoing effort ensures support for PASA employees throughout the transition to the PIB.</li> <li>People and capacity risk within the PIB transition plan received focused attention, emphasising the optimisation of capacity through the prioritisation of the Book of Work across all areas.</li> <li>Regarding PIB transition planning and execution, the committee acknowledged the significant workload for an efficient transition and noted capacity concerns. In response, measures were taken to mitigate people risk associated with the PIB by developing work packages under each identified stream of the transitional plan. The committee approved the securing of valuable additional capacity to effectively support and oversee the transition planning and execution phases of the PIB.</li> </ul>	
Provided guidance and direction for robust succession planning and oversight of initiatives to enhance PASA's standing as an employer of choice, fostering employee engagement and retention.	<ul style="list-style-type: none"> <li>Supervision over the services and benefits provided to PASA employees, emphasising the importance of delivering relevant financial advice. Carefully considered employee pension and LTI solution providers to ensure comprehensive cost and performance reviews.</li> <li>The committee examined key roles and advised management to intensify efforts in developing a compelling value proposition, ensuring PASA's recognition as an employer of choice.</li> <li>The comprehensive succession planning for key roles emphasised the importance of employee retention, leading to the committee's recommendation for heightened focus on building a robust value proposition.</li> <li>Considerations include evaluating the factors leading to employee exits and implementing strategic controls as part of an initiative to improve employee retention.</li> </ul>	
Monitored PASA's learning and development approach.	<ul style="list-style-type: none"> <li>The committee was regularly updated on the implementation of the training plan developed in 2022, which aims to increase employee learning through a variety of avenues, including skills development, online learning, and formal leadership training. This will help to ensure that PASA's workforce is equipped with the skills and knowledge necessary to meet the demands of the industry.</li> </ul>	
Guided the ongoing implementation of PASA's Employment Equity (EE) plan and rollout of diversity and inclusion training.	<ul style="list-style-type: none"> <li>PASA has reached the 50-employee threshold, as a Designated employer from December 2023. The committee emphasised that careful management of the EE plan is crucial, particularly in reporting EE statistics to the Department of Labour required from 2024.</li> <li>The Committee acknowledged the 2024 EE Plan and recommended management to assess alignment with financial sector benchmarks.</li> </ul>	
Approval of the PASA 2023 Performance Scorecard self-assessment.	<ul style="list-style-type: none"> <li>The PASA 2023 Performance Scorecard self-assessment features a summarised scorecard aligning with strategic focus areas.</li> <li>In 2024, an operational management scorecard, monitored quarterly at a management level, will complement this, aligning with overall PASA objectives.</li> </ul>	

Future focus areas 2024
<p>The committee will:</p> <ul style="list-style-type: none"> <li>Continue to guide and review the resilience and culture change strategy and its implementation.</li> <li>Continue to monitor learning and development for PASA employees.</li> <li>Continue to guide and review succession and key man risks, initiatives to enhance employee engagement and retention, including identifying and executing appropriate culture, well-being, and resilience initiatives. This will include reviewing the performance and costs of the pension funds and various other initiatives to enhance PASA's standing as an employer of choice.</li> <li>Ensure robust change management to ensure a smooth transition of PASA employees to the new PIB.</li> <li>Continue to guide and review the executive management and key man succession planning.</li> <li>Guide and review the 2024 EE targets and the implementation of the EE plan.</li> <li>Continue to monitor the development of the PASA employee value proposition to ensure PASA is an employer of choice.</li> <li>Continue to guide and review remuneration policies and practices to ensure employees are paid fairly and that pay is aligned to the value they create.</li> </ul>



## PASA Review Committee

“The changes to the NPS Act and the potential impact of the envisaged CoFI and Omnibus Bills were considered. In addition, the committee evaluated the Payment System Management Body transition risks and the Payment Industry Body legal entity structure alternatives.”



Sydney Gericke  
Review Committee Chair

### Key focus areas and value-creating activities for the period under review

2023 priority actions	Key actions and outcomes	Achieved	Yes	No
Continuous oversight of updates and regulatory changes impacting the PIB transition.	• Obtained regular updates on progress on the CoFI Bill. Notwithstanding the delay in the presentation of the Bill to parliament, the work towards the PIB transition continues.			
Oversight of PASA's engagements with the SARB's PSMB Transition Committee with regards to the planned regulatory reforms introduced by the CoFI Bill.	• Supported the PASA management stance on the respective roles of the SARB PSMB Transition Committee and PASA Council with respect to the PASA to PIB transition.			
Oversight and monitoring of PIB legal and regulatory transition risks.	• Ongoing oversight over the risks of negative impact on the NPS due to the transition or pace of the transition. • Oversight of the risks associated with the PIB legal entity.			
Supervision of the overall effectiveness and efficiency of the PIB transition process.	• Advised on the cadence and timing of PASA to PIB transition items, considering the various regulatory delays impacting the transition. • Agreed sign-off elements of the transition plan for the Schedule of Delegated Authority (SODA) and the agreed allocation of workstream oversight to Council Committees.			
Opined on the different legal entity options, along with the associated PIB transition paths.	• Supported the proposal to the PIB community to reuse the PASA legal entity for the PIB.			
Ongoing monitoring of changes in the environment to identify responses to requests for comment.	• Considered updates on the FSCA Open Finance Paper.			

PASA Review Committee																
<b>Committee purpose and how it contributes to value creation</b>	<ul style="list-style-type: none"> <li>This ad-hoc committee assists PASA Council in considering all legal and/or regulatory matters related to the establishment and transition of PASA to the PIB.</li> <li>It further assists PASA Council in consulting on and responding to any draft policy, consultation, regulatory paper, bill or the like on the PASA and/or the NPS Act review, issued by the SARB NPSD, National Treasury, FSCA or any other regulator, potentially having an impact on the mandate of PASA.</li> </ul>															
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<b>Management attendees</b> G Erling      P Coetzee C Pariola     M Pretorius N Ramabi      L Chauke-Motshwane	<b>Risks the committee oversees</b> PIB legal and regulatory transition risks.	<b>King IV™ principle focus</b> 														
<b>Capital focus of the committee</b> 	<b>Stakeholders most served by the existence and focus of the committee</b> 															

### Future focus areas 2024

The committee will continue to:

- Oversee progress with the PIB transition plan, with respect to the legal and regulatory transition required.
- Oversee and guide engagements with the SARB relating to the regulatory reforms.
- Provide ongoing oversight and monitoring of PIB legal and regulatory transition risks, including the reduction in overall risk due to the PIB community approval of the reuse of the PASA legal entity for the PIB.
- Monitor legal and regulatory changes that could impact the PIB transition.
- Monitor other legal and regulatory changes that could impact on the mandate of PASA or the PIB.

## Principle 9: Evaluation and performance of the Council



Evaluations are performed every second year, with the last one conducted in 2022 and the next scheduled for 2024.

## Principle 10: Appointment of and delegation to management



PASA Council delegates authority to the executive management team through a formal SODA.

The SODA from Council articulates those matters which are reserved for PASA Council, those that are delegated to Council Committees, and those that are delegated to the CEO.

Council acknowledges that delegating responsibility does not absolve it of its responsibilities or ultimate accountability. The PASA Constitution and PASA Council-approved policies create a common understanding of the expected behaviour and procedures towards ethical and effective leadership.

All Councillors and Members are required to comply with the provisions of the PASA Constitution, the PASA Regulatory Framework and PASA policies, which are binding and against which Councillors and Members are held accountable.

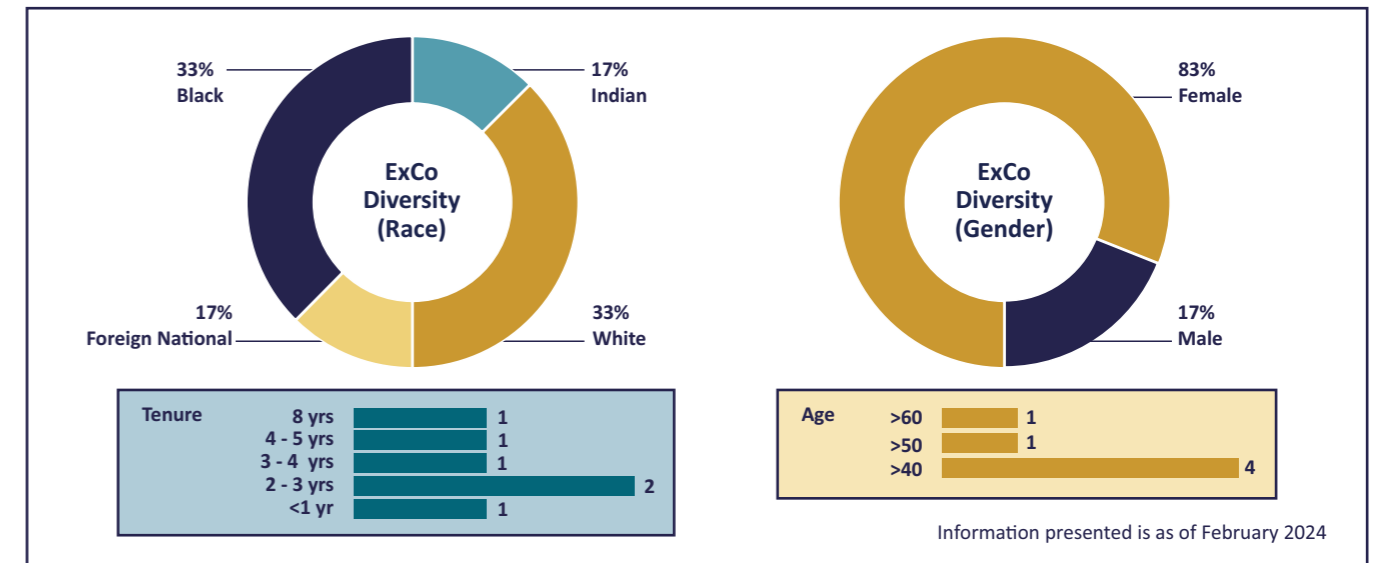
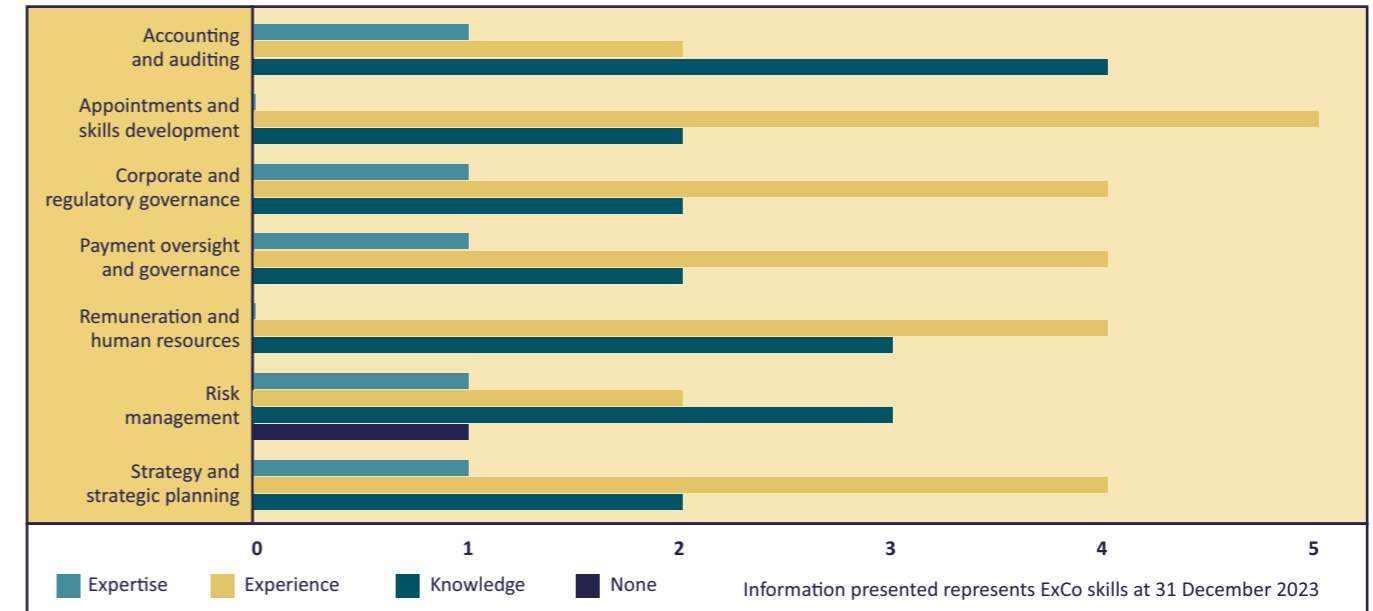
The PASA Constitution is available [here](#).

### PASA's Executive Committee



<b>Ghita Erling (51)</b> Chief Executive Officer Joined Council: November 2020 Qualifications: MSC (Eng); BSc (Cum Laude); Executive Development Programme (Wits); Dip (ABRSM)	<b>Cosmore Pariola (43)</b> Chief Financial Officer Joined PASA: September 2021 Qualifications: Chartered Accountant - South African Institute of Chartered Accountants (SAICA) and Chartered Accountants Australia and New Zealand CAANZ); Master of Business Leadership (Curtin University); Bachelor of Accounting Science (Hons) (Unisa)	<b>Maurits Pretorius (64)</b> Chief Strategy Officer Joined PASA: January 2016 Qualifications: BLC (Law) (UP); Advanced Diploma in Labour Law (Unisa); MPsych (Cum Laude) (NWU); Diploma in Clinical Organisational Psychology (Cum Laude) (INSEAD); Strategic Banking Programme (INSEAD); Executive Master's Degree (CCC) (INSEAD)	<b>Naniki Ramabi (45)</b> Chief Risk Officer Joined PASA: August 2019 Qualifications: BCom; MBL (Unisa SBL); CISA; CISM; CRISC ISACA); CRM Practitioner IRMSA); Senior Management Programme (UP)	<b>Lesego Chauke-Motshwane (42)</b> Chief Payments Officer Joined PASA: October 2020 - June 2021 and September 2022 Qualifications: B.Eng (Cum Laude); B.Eng (Hons) (Cum Laude); M.Eng (Cum Laude); Master of Business Administration; Executive Development Programme (GIBS)	<b>Nadine Bham (41)</b> Executive: Governance, Legal and Compliance (CoSec) Joined PASA: December 2023 Qualifications: LLB (Wits); Admitted Attorney South Africa; International Executive Development Programme (London Business School and Wits)	<b>Pierre Coetzee (63)</b> Chief Legal Officer Joined PASA: May 1999 – July 2007; April 2008 – 31 January 2024 Qualifications: B. Iuris Law (PU for CHE); LLB (Unisa); Advanced Diploma in Banking; Certificate in Compliance Management
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### EXCO Skills Matrix



### Members of the ExCo who left PASA during 2023 are:

- Helen Peace - Company Secretary emigrated to the United Kingdom.
- Marie Smit - Membership, Authorisation and Registration Officer, resigned to take up an appointment at the SARB.
- Pierre Coetzee - Chief Legal and Regulatory Officer retired on 31 January 2024.

For PASA to remain agile, responsive and innovative, it requires an ExCo team with the requisite depth and breadth of expertise, experience and knowledge. ExCo portfolios have been restructured in line with the changes to ExCo Members. The Company Secretariat, Membership, Authorisation and Registration Officer, and Chief Legal and Regulatory Officer roles have been combined into a single portfolio encompassing Governance, Legal and Compliance. Nadine Bham has been appointed as the Executive: Governance, Legal and Compliance from 1 December 2023.

### Company Secretary

PASA's Company Secretary, Nadine Bham, who is a member of ExCo, is responsible for ensuring that sound governance procedures are followed and maintained. Her role spans governance, legal and compliance. Nadine reports to Council on all statutory duties and Council-related functions performed. The objectivity and independence of the Company Secretary is not prejudiced, notwithstanding the administrative reporting line to the Chief Executive Officer.



## Principles 11-14: Governance of functional areas



### Governance of risk



PASA prioritises optimal risk management, a commitment endorsed by Council and driven by leadership.

Council oversees that the risk management principles and practices achieve a consistent and proactive approach to risk management throughout the payments ecosystem.

The Risk Management Framework is integrated into the organisation's structures, projects, and activities. The Framework guides the identification, assessment, and management of risks, and facilitates informed decisions. Uniform and defined risk management reporting, including risk profiles and a risk event reporting process are in place.

Robust risk governance structures facilitate effective communication, with Council taking responsibility for the governance of risk. Quarterly updates on key risks and mitigation strategies are presented to the Council Risk Committee, reinforcing PASA's commitment to a resilient risk management culture.

See details of our risk and opportunity management on pages [28](#) to [31](#).  
See the Risk Committee report on page [49](#).

### Governance of technology and information



The Risk Committee assumes responsibility for the governance and direction of technology and information.

The Risk Committee oversees ongoing efforts to improve PASA, the legal Entity (organisational) IT risk management (including cybersecurity risks, IT governance and the IT control environment).

Cybersecurity risk and the PASA digitalisation focus areas are reviewed, including penetration test results. Ongoing monitoring of management measures to address penetration testing high-risk findings, and address gaps in the IT control environment takes place.

Information security responsibilities are included in employees' performance contracts. Risk culture entrenchment includes awareness training, risk events analysis and case study awareness engagement.

The key focus remains on continuous disaster recovery testing and the development of a cyber risk recovery plan. In 2024, the focus will be on the establishment of the Risk IT subcommittee and developing a supporting work plan to enhance the oversight of technology and information.

Refer to the CFO report on [page 12](#).  
See the Risk Committee report on [page 49](#).

### Governing compliance



#### Managing PASA's regulatory universe

The regulatory landscape applies to two distinct areas within PASA.

**PASA as a separate legal entity:** Subject to general laws of South Africa.

**PASA as a PSMB:** Organising, managing, and regulating the participation of its Members in the NPS per the NPS Act.

#### PASA as a PSMB

The SARB Act, 90 of 1989 mandates the SARB to regulate, supervise and oversee payments and payment systems in South Africa. The NPS Act reaffirms and broadens such mandate by empowering the SARB to recognise a PSMB, designate non-bank participants, issue directives, and effectively regulate, supervise, and oversee the NPS. The Act also prescribes the objects of the PSMB and the requirements for recognition of a PSMB. PASA, as the recognised PSMB, is directly impacted by the Act.

PASA's Members are directly impacted by all the instruments listed in the following diagrams:

#### Key legislation that is principally applicable to payments in South Africa

PRIMARY PAYMENTS REGULATION		
South African Reserve Bank Act, 90 of 1989	NPS Act, 78 of 1998	Financial Sector Regulation Act, 9 of 2017
The SARB as regulator	The SARB as regulator	The FSCA as regulator
Monetary policy, financial stability (including payment systems)	Payment systems, participants and the PSMB	Financial markets, consumers, financial institutions, market conduct, financial institutions in payment systems and services

PASA as a PSMB is governed by its Constitution, policies and rules. Members are bound by these documents, which are developed and finalised with formal input from Members and Structures with delegated authority and mandates from PASA Council.

PASA'S REGULATORY FRAMEWORK		
PASA Constitution	Policies	PASA Regulatory Framework
Founding document of PASA as a legal entity Describes PASA's purpose, vision, mission and goals Sets out Members' rights and obligations as well as PASA Council's mandate and powers	High-level principles governing specific payments-related matters in PASA	High-level rules and principles governing participation in PASA and the National Payment System
Clearing and Settlement Rules		Agreements
Bind Clearing and Settlement Members		Bind Clearing and Settlement Members



All the instruments in PASA's Regulatory Framework apply to Members. Policies dealing with data, information and competition apply to PASA in its capacity as a legal entity and as a PSMB that is responsible for issuing rules and policies. PASA performs a public function. It is mandated in terms of the NPS Act to issue rules and policies which may impact Members and stakeholders.

OTHER REGULATION		
<b>Protection of Personal Information Act, 4 of 2013</b>	<b>Promotion of Access to Information Act, 2 of 2000</b>	<b>Competition Act, 89 of 1998</b>
<b>Information Regulator</b>	<b>Information Regulator</b>	<b>Competition Commission</b>
Gives effect to the constitutional right to privacy by regulating the way in which personal information must be processed, balancing the right to privacy against other rights, and establishing an Information Regulator to ensure that the rights protected by POPIA are respected.	Gives effect to the constitutional right of access to any information held by the State and any information that is held by another person and that is required for the exercise or protection of any rights; and, to provide for matters connected there with.	Promotes fair competition and prevents unfair business practices that could harm consumers. It prohibits certain actions that might restrict competition, such as tying agreements, predatory pricing, and mergers that could lessen competition.
<b>National Credit Act, 34 of 2005</b>	<b>Other considerations</b>	<b>Financial Intelligence Centre Act, 38 of 2001</b>
<b>National Credit Regulator</b>	<b>SARB, Financial Surveillance Department</b>	<b>Financial Intelligence Centre</b>
Promotion of a fair and nondiscriminatory marketplace for access to consumer credit and responsible credit granting	Exchange control and authorised dealers	Identifying the proceeds of unlawful activities, combating money laundering and financing of terrorist and related activities through payments

## Pending regulation and its impact on PASA

The review of the NPS Act gained momentum with the proposed CoFI Bill.

The CoFI Bill includes consequential amendments to the NPS Act. These amendments will enable licensing of payments service providers to be implemented appropriately through licensing provisions that will be included in the NPS Act. These licensing provisions will apply in conjunction with the revisions to the Financial Sector Regulation Act, 2017, which also result from the CoFI Bill.

An Omnibus Bill may be drafted for promulgation before the CoFI Bill, but containing elements of the CoFI Bill, most specifically those relating to the withdrawal of the PSMB concept and the ability for the SARB to license the PIB and take responsibility for all the current PASA licensing activities.

## Compliance management and enforcement

PASA is responsible for promoting good practice by all its Members. It does this by ensuring observance of the terms of the PASA Constitution, PASA Member policies and the Regulatory Framework of the NPS. PASA's compliance enforcement is based on the core principles of risk alignment and independence.

The PASA Compliance Manager is tasked with investigating matters of alleged non-compliance and referring such matters to the independent Compliance Enforcement Panel, where appropriate. This panel comprises only independent, external legal experts and assesses matters of alleged non-compliance referred to it.

The Compliance Enforcement Panel makes a finding on whether a particular Member has transgressed the PASA rules. It can also impose a suitable sanction in respect of any non-compliance. The PASA Compliance Enforcement Policy details the appeal process for any Member aggrieved by the findings of the panel.

## Compliance enforcement in PASA in 2023

	2023	2022
<b>Number of matters of alleged non-compliance investigated</b>	1	5
<b>Number of non-financial sanctions</b>	0	1
<b>Number of matters referred to the Compliance Enforcement Panel</b>	1	5
<b>Number of combined sanctions</b>	0	0
<b>Number of findings of non-compliance</b>	1	5
<b>Number of financial sanctions</b>	1	4

The cumulative amount of financial penalties for 2023 amounts to R0.5 million (2022: R2.4 million)

## PASA as a legal entity

### Compliance by PASA

Regulatory compliance remained a focus area for PASA as a legal entity during 2023. Key activities included the continuation of rolling out internal policy compliance training to all employees.

In 2023, PASA introduced independent compliance assurance with a policy compliance audit. The audit focus was on PASA's compliance with five of its internal policies: Procurement, Finance (only as it relates to procurement), Ethics, Occupational Health and Safety, and Compliance.

PASA largely complied with all the policies audited, aside from the Procurement Policy. The audit identified no wasteful expenditure despite the instances of non-adherence to the Procurement Policy identified.

The audit findings further guided management in identifying changes to be made to the Procurement Policy, informing clauses requiring clarity and assisting management in identifying requirements that were overly onerous and therefore required change. PASA will focus on training employees on the updated Procurement Policy in 2024.

The Compliance function within PASA aims to review and provide assurance on information security, retention and data classification in 2024. The focus of the Compliance risk management and Compliance framework and plan will be training on information security, occupational health and safety check-ins and reviews of policy implementation including cyber resilience and information sharing.

See the Risk Committee report on [page 49](#).

## Governance of Remuneration



The Remuneration Committee is responsible for the governance of remuneration.

The committee plays a crucial role in guiding and overseeing the proper identification and execution of employee interventions such as retention, health and well-being, culture change, change resilience, succession planning, diversity and inclusion, and appropriate reward and recognition.

The performance management process and the scorecard process used to evaluate organisational and senior executives' performance have received significant focus, and the Remuneration Policy was amended to better align discretionary remuneration to performance.

For details of the oversight of remuneration in 2023 see the Remuneration Committee report on [page 51](#).



## Principle 15: Assurance

IV<sup>15</sup>

Council relies on various assurance services and functions to enable an effective control environment and ensure that these support the information for internal decision-making and of the organisation's external reports.

Assurance in PASA includes a four lines of defence model which is depicted below.

	<p>The first line of defence for PASA as a legal entity risk comprises PASA line management and employees.</p>
	<p>PASA's Risk Function, the NPS Risk Committee and Council Risk Committee make up the second line of defence.</p>
	<p>The third line of defence consists of independent assurance providers, including external audit.</p>
	<p>Finally, the fourth line of defence is provided by the National Payments System regulatory bodies.</p>

 For details on the lines of defence, read more on [page 28](#).

## Principle 16: Stakeholders

IV<sup>16</sup>

In the execution of its governance role and responsibilities, Council adopts a stakeholder-inclusive approach that seeks to balance the needs, interests and expectations of material stakeholders with the best interests of the NPS.

Stakeholder relationships are very strong across all stakeholders, evidenced by PASA's ability to have robust debates with stakeholders and our ability to ask for and receive assistance when required.

The mature advocacy, negotiation, facilitation, and consensus-building skills of the PASA leadership foster the ability to drive complex collaboration and consensus processes as evident in the PIB design phase. Similarly, continuous collaborative decision-making takes all aspects and viewpoints into account.

This inclusive stakeholder management model also facilitates regular non-bank stakeholder engagements and involvement (non-bank involvement in projects).

 For full details on our stakeholder engagement see pages [40](#) to [42](#).



# GENERAL INFORMATION

**Country of incorporation and domicile**  
South Africa

**Nature of business and principal activities**  
The Payments Association of South Africa (PASA) was established with the objective to organise, manage, and regulate all matters affecting interbank payments and payments clearing and settlement of interbank obligations within the payments system, and operates in South Africa.

**Registered office**  
1st Floor, Building D  
Sunnyside Office Park  
32 Princess of Wales Terrace  
Parktown  
2193

**Business address**  
1st Floor, Building D  
Sunnyside Office Park  
32 Princess of Wales Terrace  
Parktown  
2193

**Postal address**  
P.O. Box 61380  
Marshalltown  
2107

**Bankers**  
First National Bank Ltd  
Investec Bank Ltd

**Auditors**  
Moore Infinity Incorporated  
Chartered Accountants (SA)  
Registered Auditors  
Partner: B Wilters CA(SA) RA

**Company Secretary**  
Nadine Bham

**Level of assurance**  
The annual financial statements have been audited in compliance with the applicable requirements of the PASA Constitution. All financial data presented in the integrated report is derived from the annual financial statements, which were duly audited by PASA's auditors.

**Date issued**  
16 May 2024

**Tax reference**  
9036/767/19/3



## PAYMENTS ASSOCIATION OF SOUTH AFRICA

INTEGRATED REPORT

**2023**