Absa is willing to support Khula’s proposal to participate in the payment system as a TPPP. It is however important to note that:

1. *In terms of s 7 of the NPS Act, Khula may as a regular feature of its business accept money or payment instructions from any other person for purposes of making payment on behalf of that other person to a third person to whom that payment is due, if the money is accepted or payment made in accordance with directive issued by SARB from time to time.*

*Exec Comments:*

* **ALL GOOD HERE**

1. *Payment can only be due if a contract between the Buyer and the Seller has been concluded (even if such contract is subject to fulfillment of certain conditions).*

*Exec Comments:*

* Do we need to implement a contract for each transaction? How do we define a contract?

Are our current Ts and Cs enough to cover this point?

Could make this point more explicit in the Ts and Cs

1. *Accepting money or payment instructions* ***where payment is not due****, will not comply with the requirements of s 7 of the NPS Act or Directive 1/2007.*

*Exec Comments:*

* Can a retailer allocate a budget on the system that are intended to be used for buying from farmers? In a two-way scenario, does this contradict point 1 ?

Would Absa need to hold the account in this scenario?

* Funds being placed in the system are intended for use.
* Withdrawal account is a pre verified, authorised & configured external account account, provided by the client - can’t randomly be changed.
* Destination party is known, the transaction is not concluded. We know who the receivers could be. It’s not an open loop environment - all users are pre-vetted

1. *If Khula does accept money from a payer when no payment is due to a third party (i.e where the contract between Buyer and Seller has not been concluded as yet), this may be considered to be an activity that constitutes the business of a bank as defined in the Banks Act, specifically the acceptance of deposits from the general public.* ***None of the exceptions applicable under the Banks Act seem to apply to the use cases presented in this regard.***