

International Monetary Fund & AFRITAC Workshop

Observance of CPSS-IOSCO1 Principles for Financial Market Infrastructures (PFMI) – SARB Experience



South African Reserve Bank

31 January 2024

Accra, Ghana

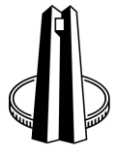
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SOUTH AFRICAN RESERVE BANK

The Legal Framework for SA NPS & NPSD Organisational Structure



Legal framework to regulate, oversee and supervise NPS System FMs and South African Authorities

SARB Act 90 of 1989 (section 10(1)(c)(i))



National Payment Act 78 of 1998



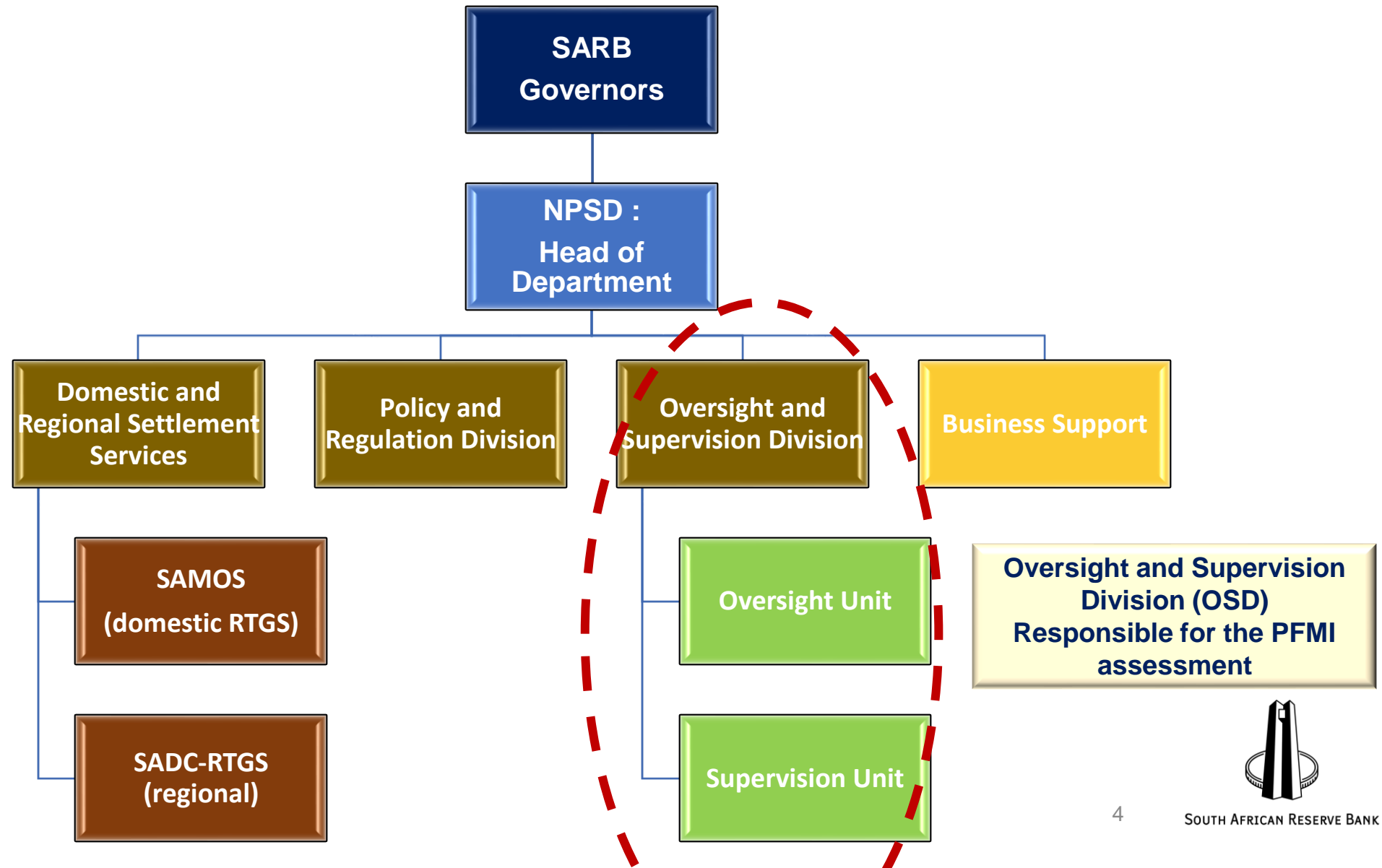
Directives



Position Papers

Supported by oversight and supervision frameworks.

SARB NPSD Organisational Structure



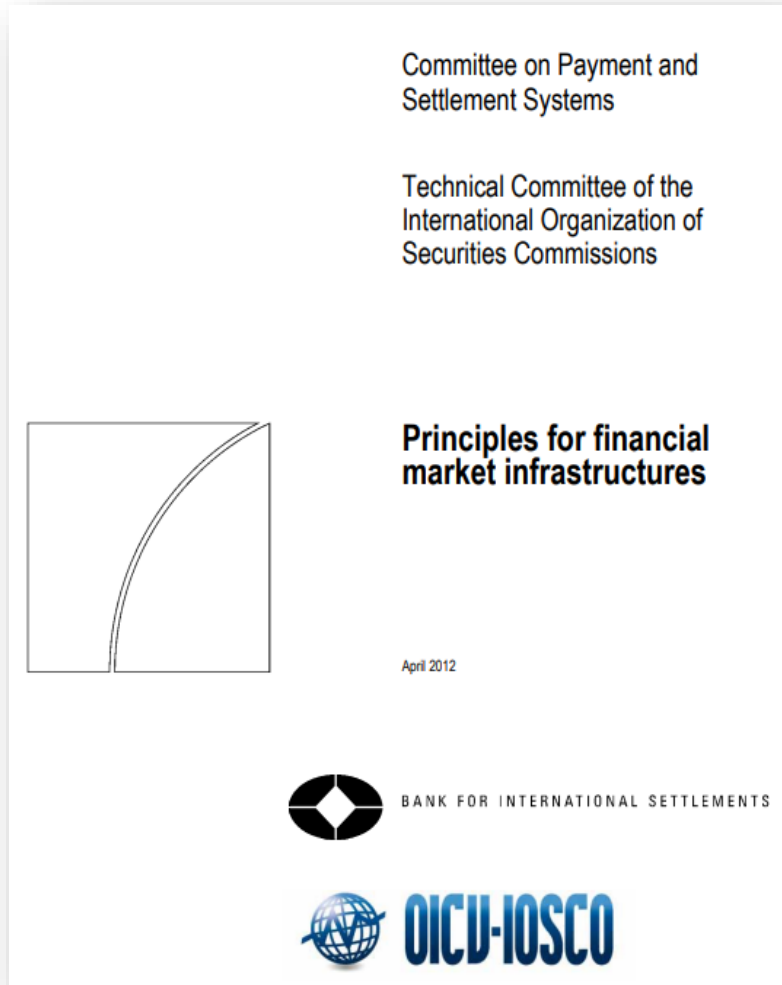
The SARB and the PFMI

**Prior to the issuing of the PFMI, the SARB
observed the BIS 10 principles for systemically
important payment systems, and 4
responsibilities for central banks**



The SARB embraced the PFMI

PSS-IOSCO published the Principles for Financial Market Infrastructures (PFMI)



The SARB Issued a Position Paper and an Information Paper to embrace and commit to the PFMI

Position paper 01 of 2013

Position Paper confirming the SARB's support for the Principles for Financial Market Infrastructures published by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organisation of Securities Commissions

Information paper NPS06 (related to position paper 01 of 2013)

The South African Reserve Bank National Payment System Department's commitment to the Principles for Financial Market Infrastructures in the National Payment System

Position paper 01 of 2018

Position paper on the Principles for Financial Market Infrastructures published by the Committee on Payments and Market Infrastructures and the Technical Committee of the International Organization of Securities Commissions

The PS FMIs were then identified and designated

Designated Payment System FMs in South Africa

Designated PS FMs

SAMOS
Domestic RTGS
Large-value Payment System (LVPS)

Owned and operated by the SARB

SADC-RTGS
Regional RTGS
LVPS

Owned by the SADC central banks and
operated by the SARB

BankservAfrica
Retail Payment system

Owned and operated by the private
sector

Strate
Central Securities Depository
Payment leg

**Continuous Linked Settlement
System**
Forex transactions, LVPS

Owned and operated by the CLS Bank
International



OSD Approach of PS FMI Assessment Approach



PFMI Assessment approach of FMIs : Preparations

1. The SARB OSD has a Lead Analyst responsible for PS FMI assessments.

☐ The Analyst

- **Initiates the assessment process**
- **Advises the other team members – to avail themselves for the assessment season**
- **Advises the PS FMIs to avail themselves for the assessment interviews and to provide further information**
 - **For internal PS FMIs a Memo is sent while for external PS FMIs a letter is sent to the CEO**
- **Finalises and submits the Reports to the SARB management**

2. The PS FMIs are required to conduct self-assessments against the PFMI

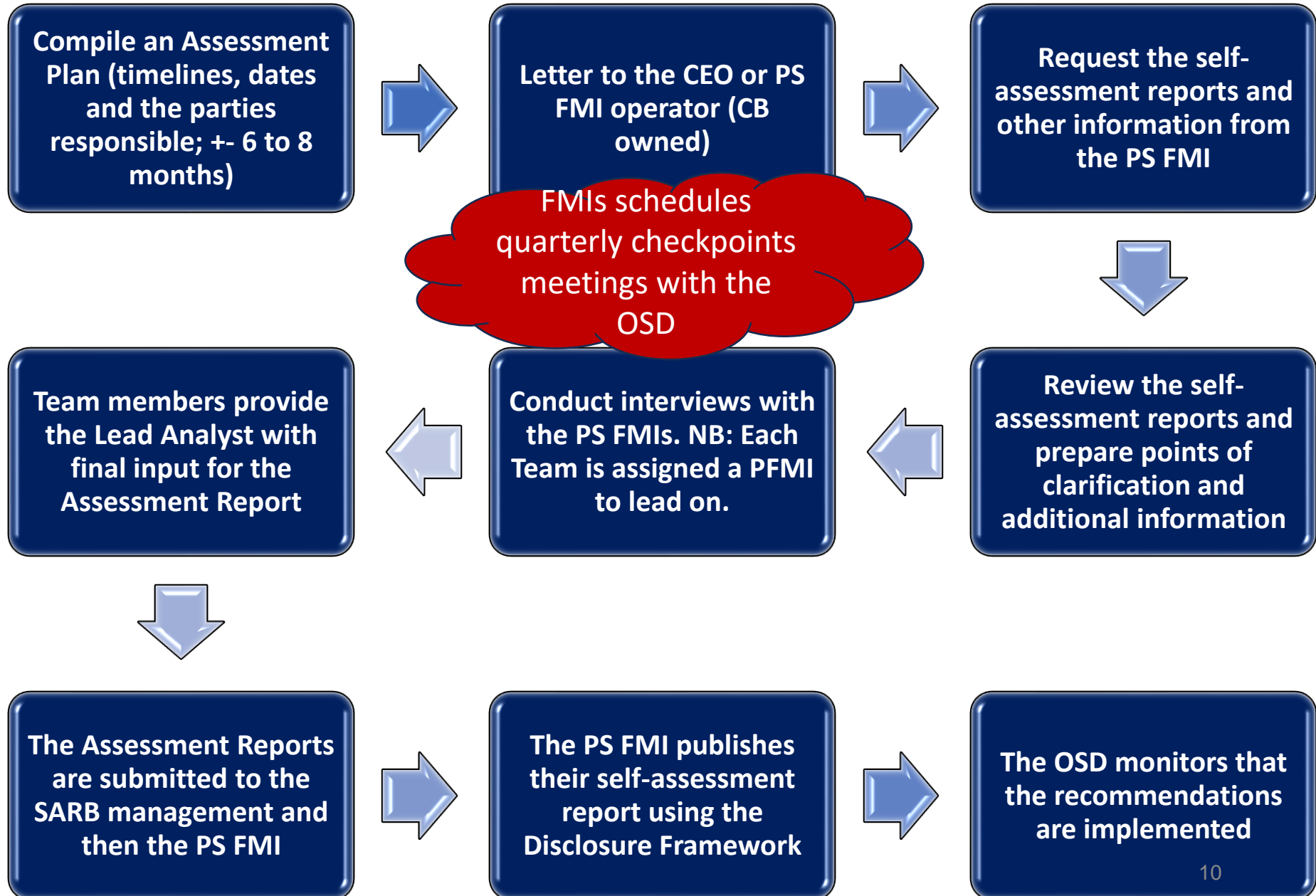
- ☐ every two years or**
- ☐ when there is material change in their business**

3. The OSD advises which PFMI the FMI will be assessed against.

- ☐ Either all applicable PFMI or a specific theme or identified PFMI**



PFMI Assessment approach of PS FMIs



The structure of the Assessment Report

1. Executive Summary
2. Purpose of the assessment report
3. Assessment approach : desktop / onsite interviews / offside interviews
4. Background on the PS FMI
5. Review on the PFMI
 - ❑ Assessment per Key Consideration and Questions
 - ❑ identified gaps, recommendations and ratings
5. Conclusion

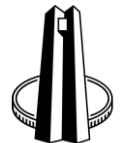


The OSD assessment report is not published, it is for internal use.



Assessments conducted by the OSD

1. Since SARB embraced the PFMI, the PS FMIs conducted at least four self-assessments against all applicable PFMI.
2. The last self-assessments were conducted on two of the PFMI (3 and 17) and PS FMI's approach to cyber resilience. Likewise, the OSD's assessment was focused on these aspects.
3. With the initial assessments of the SAMOS and SADC-RTGS, the World Bank assisted in:
 - ❑ the interpretation of the principles and rating;
 - ❑ the shaping of the assessment approach, the assignment of ratings,
 - ❑ and report writing.

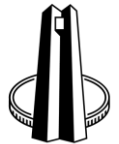


Challenges when assessing the FMIs



Challenges: Assessments conducted by the OSD

- 1. Inadequate or stretched human resources**
 - ☐ **No fulltime dedicated team for PS FMIs – resources are drawn from the OSD.**
- 2. The assessment season: Assessment of the four PS FMIs are done at the same time**
 - ☐ **No adequate time to focus and reflect on issues**
- 3. Inadequate or lack of expertise in specialised PFMI (e.g Principles 4 to 14)**
- 4. Coordinating the assessment with the other involved regulatory authorities**
- 5. Assessing the central bank owned PS FMIs (noting the BIS exceptions)**
- 6. The independence of the OSD is questioned – Housed in the same Dept with CB FMIs.**



Challenges:

Assessments conducted by the PS FMIs

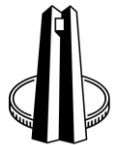
- 1. Stretched resources from both PS FMIs and other involved parties (lack of availability of key resources)**
- 2. Getting information from other departments who must provide input into the PFMI assessment**
- 3. Role clarification between parties in terms of risks activities to be conducted by each section**
- 4. Outdated documentation with outdated information irrelevant to the current assessment**
- 5. Lack of knowledge of the area by individuals who are to contribute towards the assessment (new people)**



Challenges:

Assessments conducted by the PS FMIs (cont.)

- 5. Regulations awaiting approval that have an impact on activities to be performed by the PS FMIs to address gaps identified.**
- 6. Lack of tools in the market to address findings (e.g Liquidity stress testing)**

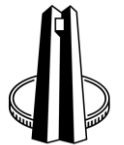


What works well?



What worked well in the SARB: Assessment of the Five Responsibilities of authorities

1. The roles and responsibilities within the SARB are well established and clarified.
2. The OSD is supported by well defined legal framework, noting that it needs some enhancement.
3. The assessment process is well articulated and the PS FMIs are familiar with the process.
4. Quarterly meetings with the FMIs.





THANK YOU



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