



Competition Commission Enquiry into Banking

Public Hearing - National Payment System

May 2007



MAKE THINGS HAPPEN

NEDBANK
GROUP

A Member of the  OLD MUTUAL Group

Response to questions on the NPS



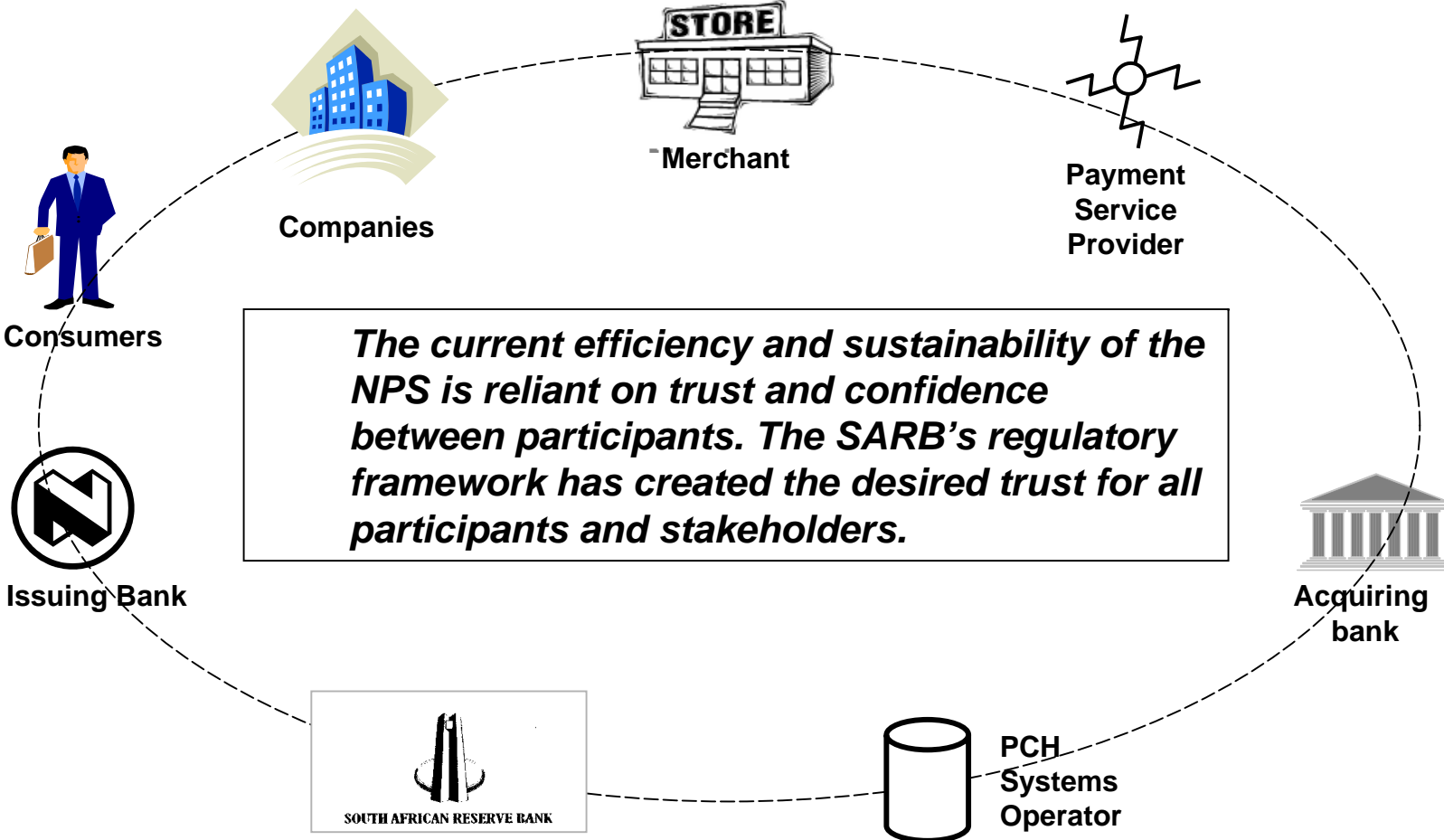
Background

1. Trust and confidence in the NPS is essential
2. The NPS is dynamic and evolving
3. “Regulation follows innovation”

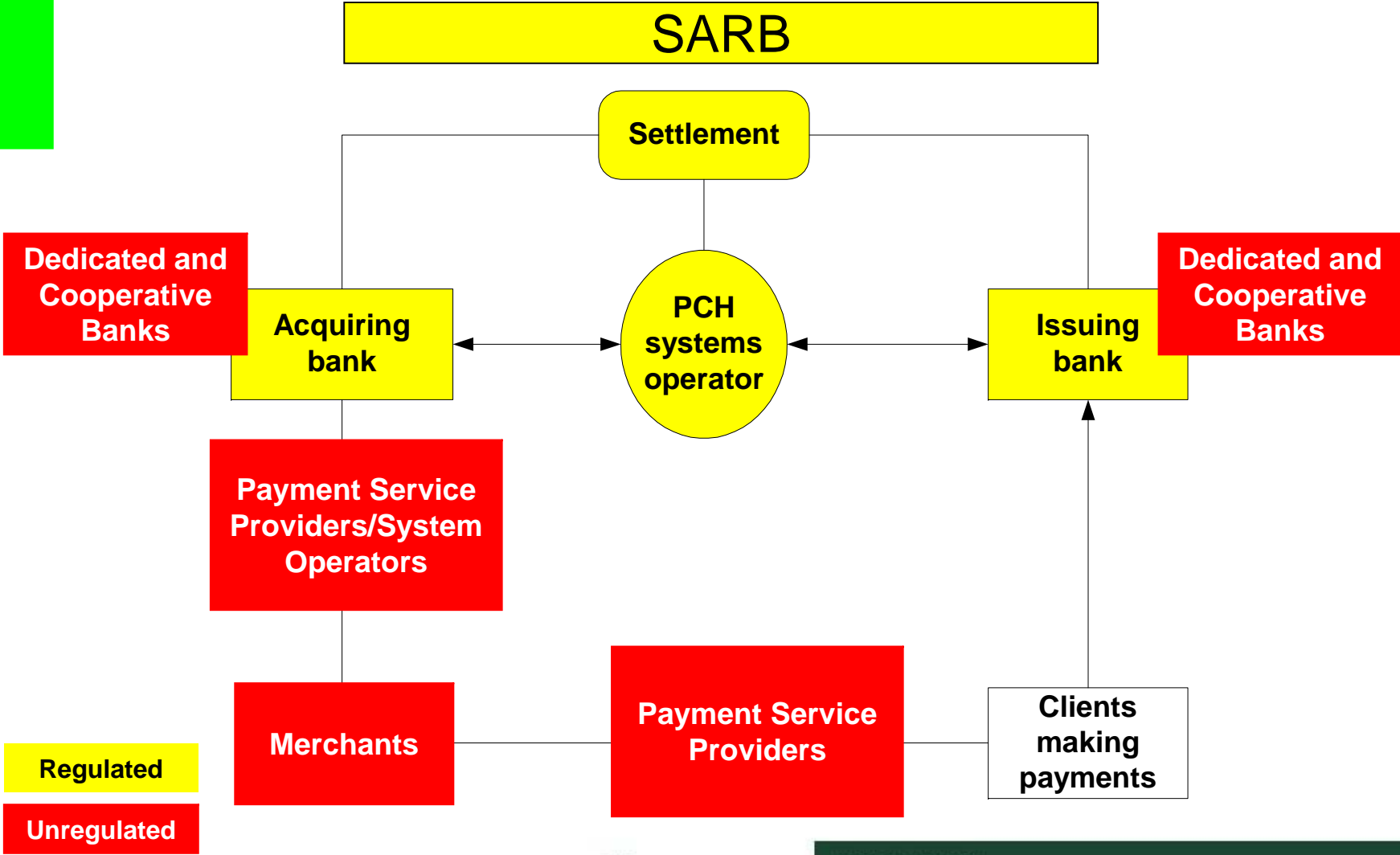
Commission's Topics

1. Sort at source/ “non-bank acquiring”
2. Payment innovation
3. Nedbank’s perspective on the NPS

1. Trust and confidence in the NPS is essential

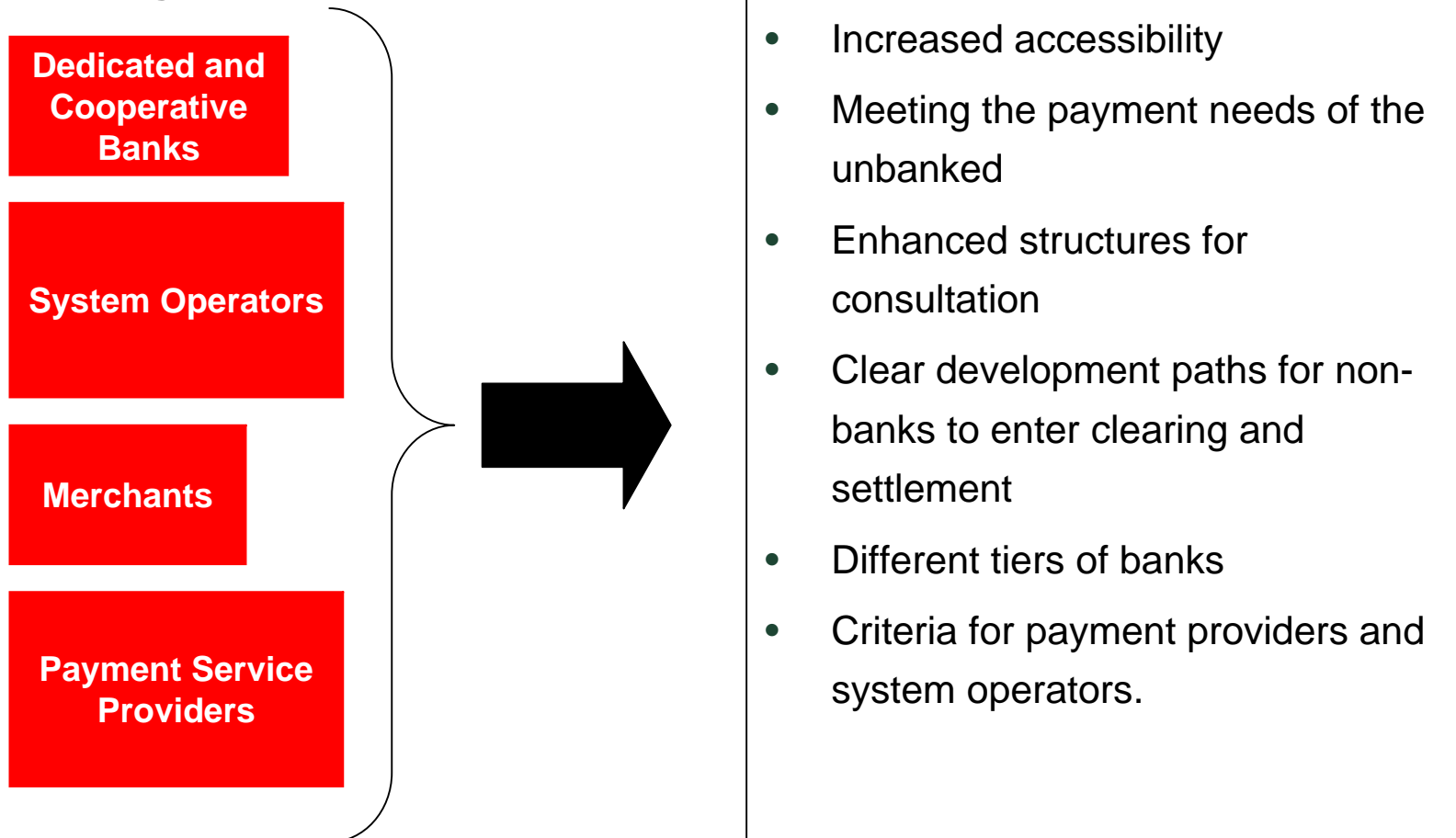


2. The National Payment System is dynamic and evolving

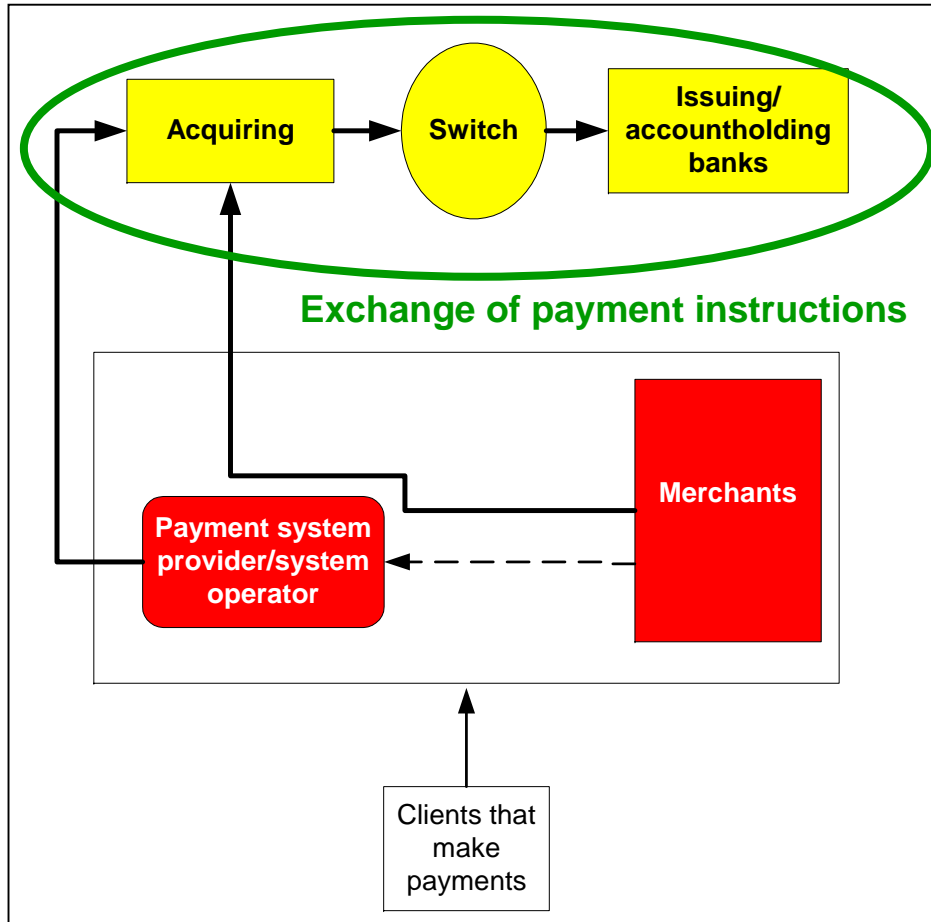


3. “Regulation follows innovation”

Important and far reaching changes are envisaged in the SARB Vision 2010 including:



1. Single acquiring vs. sort at source – single acquiring

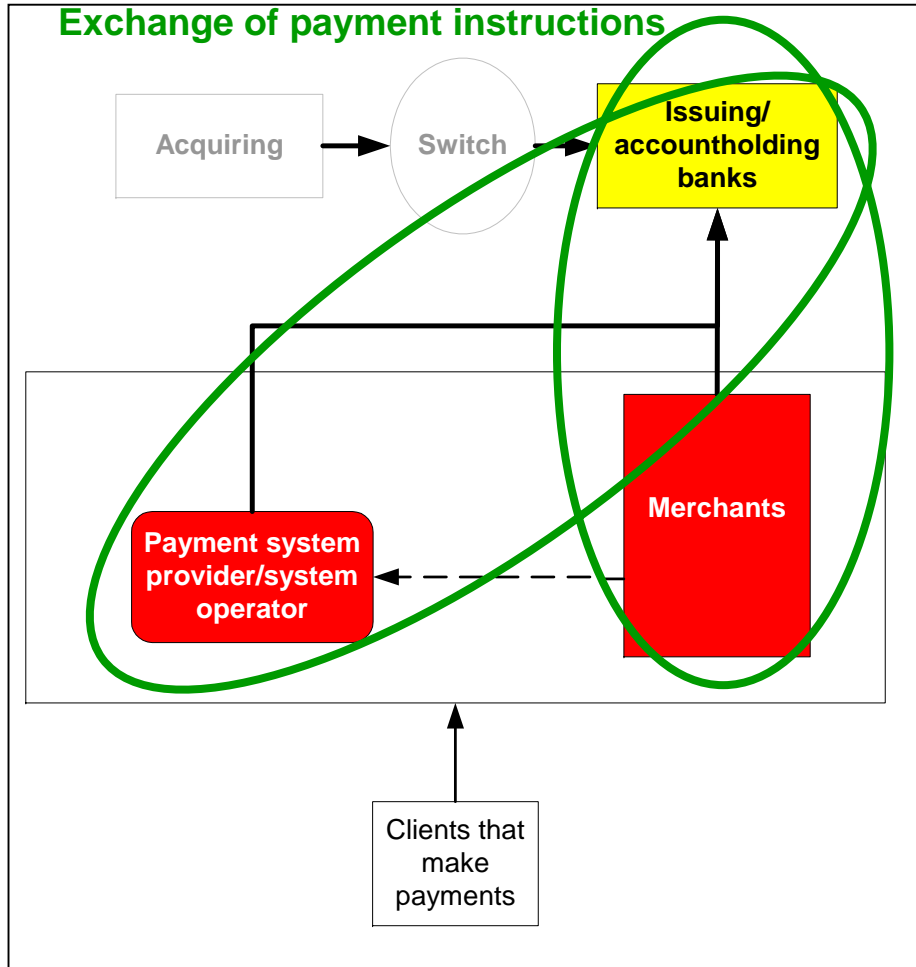


- Clients entrust regulated banks with their funds
- Issuing banks need to know that transactions allowed into their clients' accounts are valid and have integrity eg from a trusted source and that critical client information is not compromised (eg storing of card and PIN)
- Acquiring banks comply with multiple regulations to guarantee this trust
- The payment instruction is exchanged between the acquiring bank and the issuing bank

Regulated

Unregulated

1. Single acquiring vs. sort at source – sort at source



- The payment instruction in sorting at source would be exchanged between the merchant/payment service provider and the issuing bank
- The current regulatory framework does not cater for merchants and payment service providers acting in this capacity
- The current regulatory framework would need to be adapted to cater for sorting at source
- Such adaptation requires careful consideration of all possible ramifications

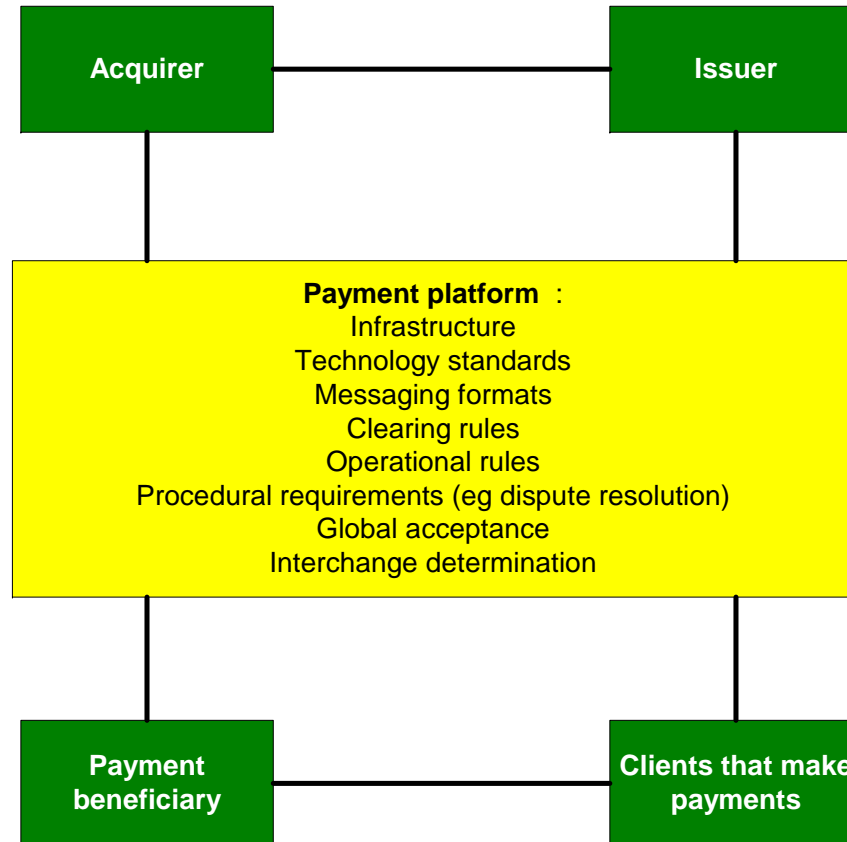
Regulated

Unregulated

MAKE THINGS HAPPEN

NEDBANK
GROUP

2. Payment innovation



Innovation on the payment platform

- Innovation requires consensus of current participants in the payment platform to the change (eg cell phone top-ups, cash back at POS)

Other types of innovation

Any bank can:

- Join up with other interested banks, and create a new PCH (eg Real-time clearing and Early Debit Order System)
- Develop the functionality for their cardholders and merchants only.

3. Nedbank's perspective on the NPS

- The SARB regulates the NPS within the current legal context
- This regulation aims to provide the risk management and trust required for a robust, efficient and adaptable national payment system
- Nedbank complies with the regulatory framework
- Nedbank supports the extension of access provided that the integrity of the NPS is maintained



Questions



MAKE THINGS HAPPEN

NEDBANK
GROUP

A Member of the  OLD MUTUAL Group