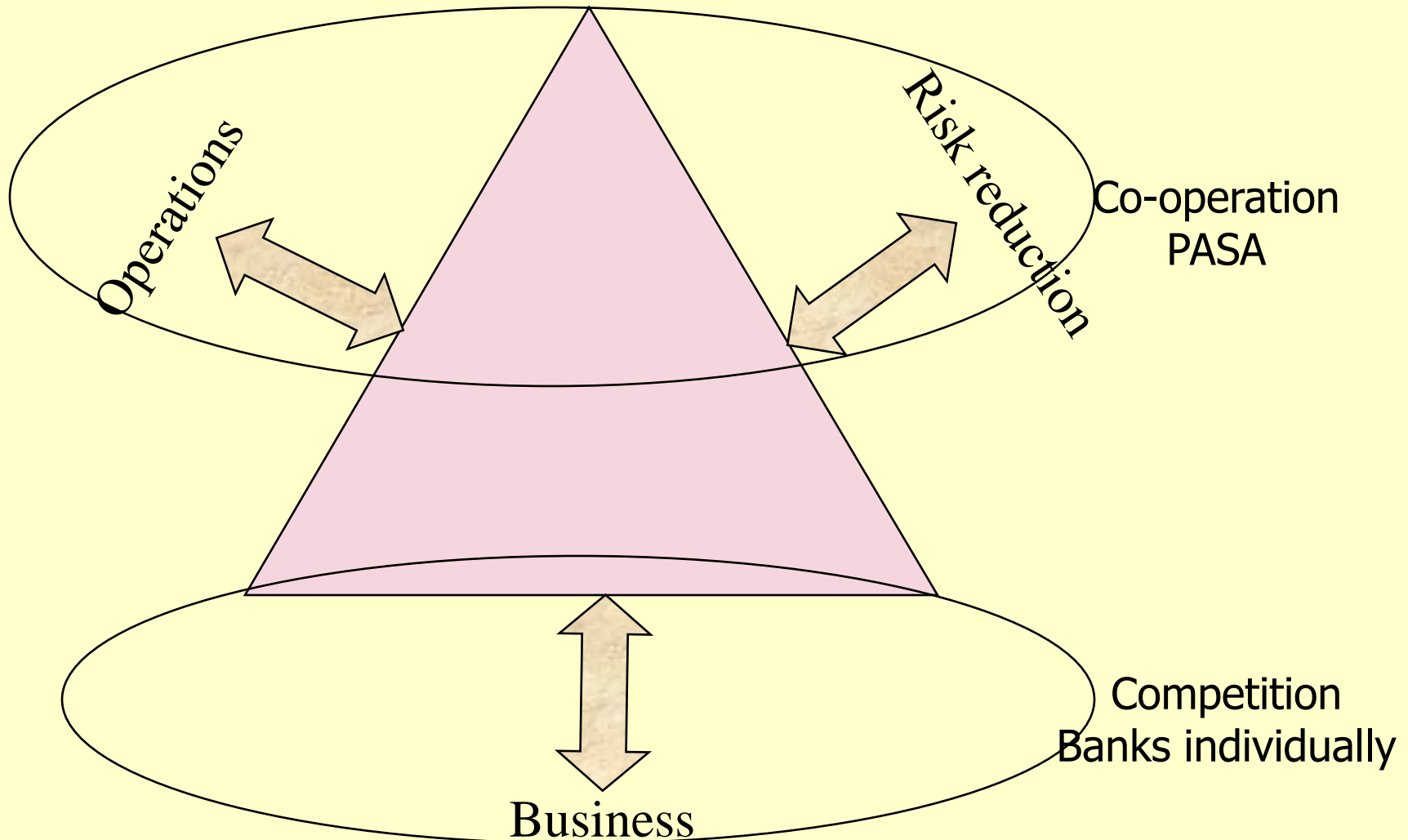


PASA

Presentation to Competition
Commission

29 May 2007

Payment System - The tensions



PASA # 1

SARB/
SAMOS

REGULATED ENVIRONMENT

OWN
CLIENT
PAYMENTS

ACQUIRING,
COLLECTING,
SPONSORING,
BENEFICIARY
BANK

SETTLEMENT FOR CT PAYMENT

SETTLEMENT FOR DT P

DEBIT PAYMENTS

CREDIT PAYMENTS

PCH SYSTEM OPERATORS
STRATE,
VISA,
MCARD
BANKSERV

UP TO 20
ISSUING,
PAYING
BANKS

NPS ACT 4(2)(d)(i) ALLOWS A TIER TWO
BANK TO CLEAR, PROVIDED A TIER ONE
BANK SETTLES ON ITS BEHALF

NPS ACT
S 4(2)(d)(ii)
ALLOWS FOR
A TIER THREE
BANK'S
PAYMENTS
TO BE CLEARED
AND SETTLED
BY A TIER ONE
BANK

DEBIT
PAYMENTS

CREDIT
PAYMENTS

CONCENTRATORS,
SYSTEM
OPERATORS,
MERCHANTS

SECTION
4(2)(C)
NPS ACT

NON-REGULATED ENVIRONMENT NPS ACT CHANGE ALLOWS FOR:

SARB DIRECTIVES THAT MAY ESTABLISH PARTIAL REGULATION
FOR PERSONS OPERATING I.T.O. S 4(2)(C) & S 7 OF NPS ACT

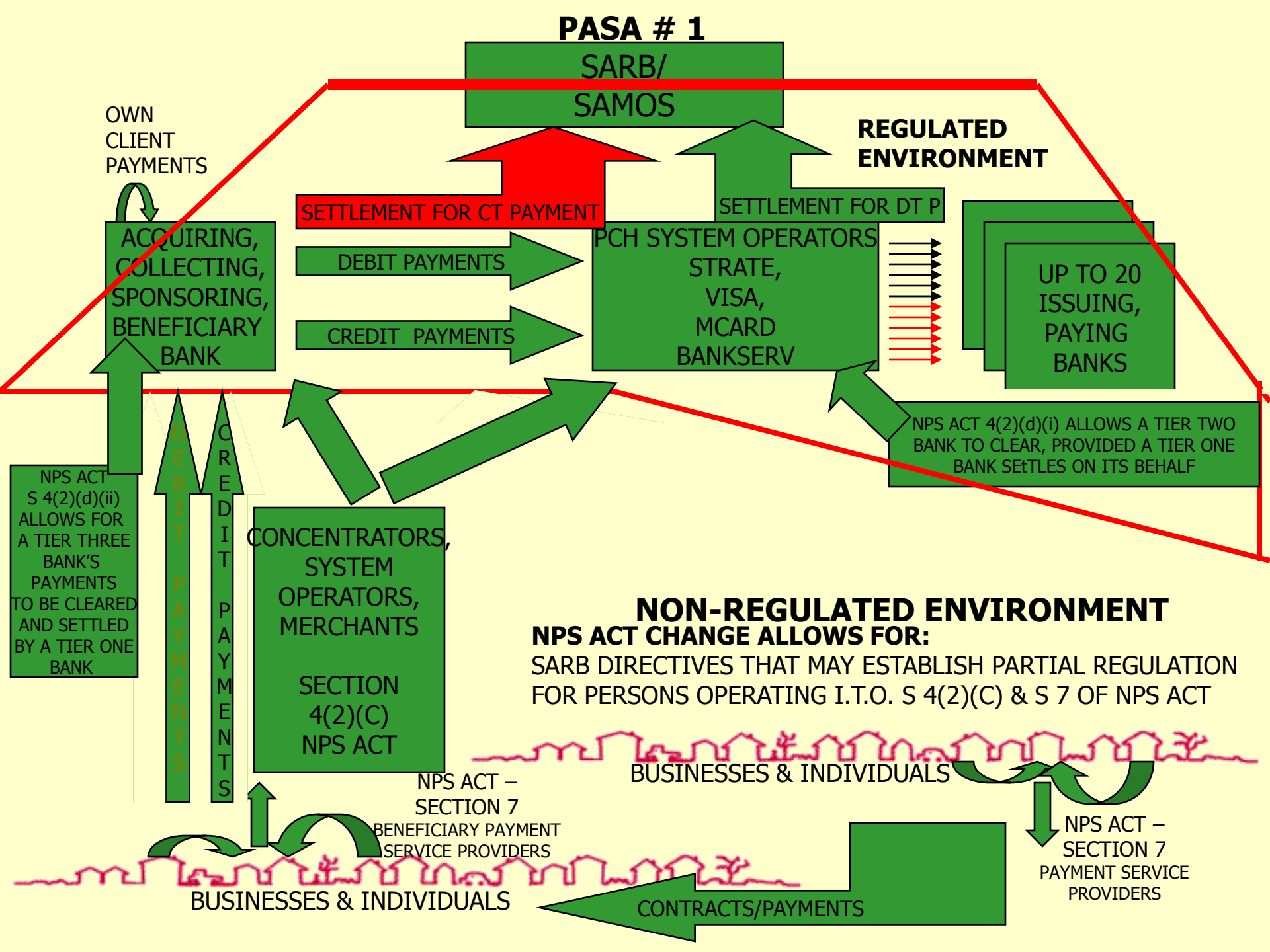
BUSINESSES & INDIVIDUALS

BUSINESSES & INDIVIDUALS

NPS ACT –
SECTION 7
PAYMENT SERVICE
PROVIDERS

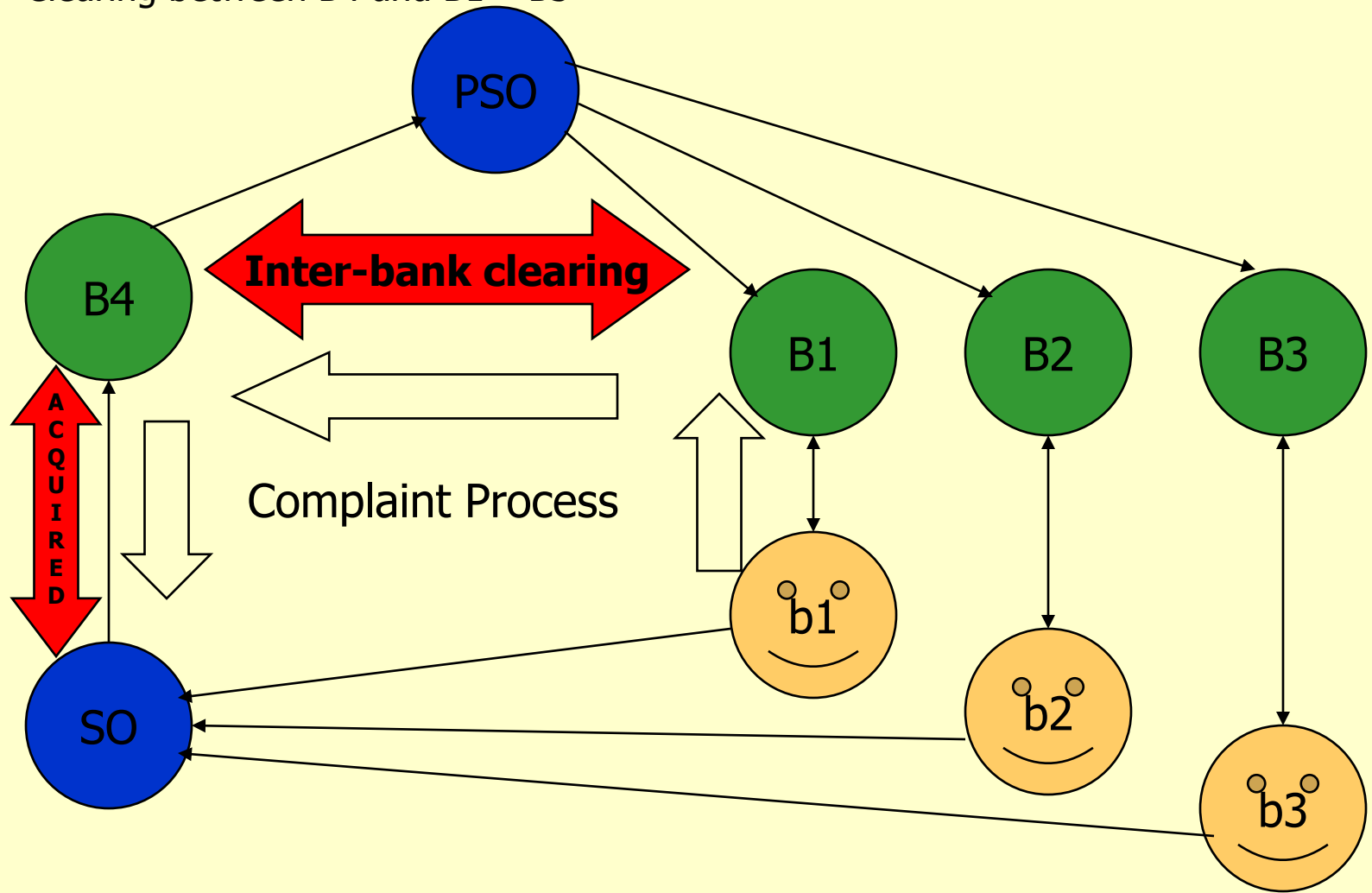
NPS ACT –
SECTION 7
BENEFICIARY PAYMENT
SERVICE PROVIDERS

CONTRACTS/PAYMENTS



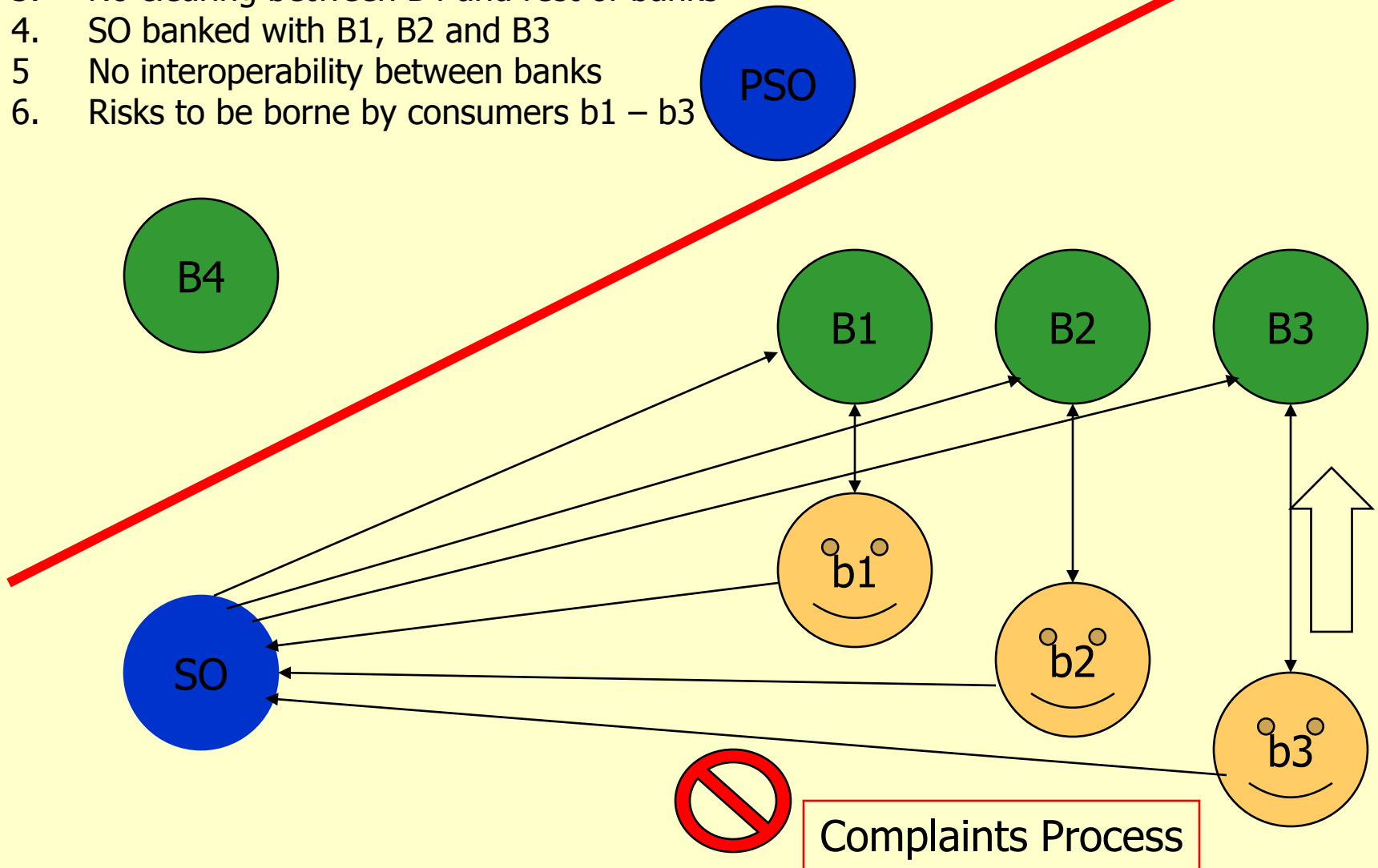
Normal transaction flow

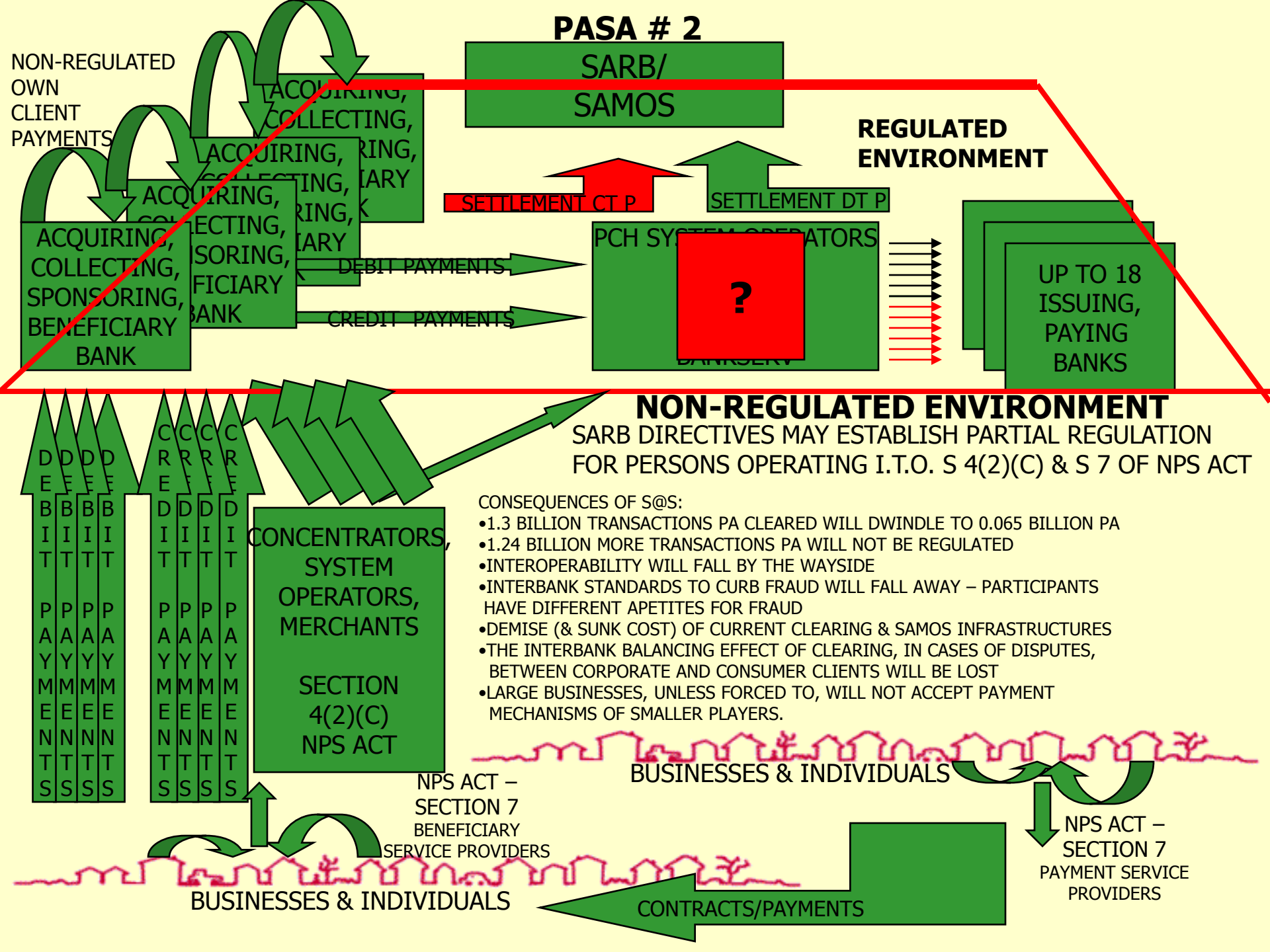
1. SO acquired by B4
2. B4 responsible for risk
3. Clearing between B4 and B1 – B3



S@S flow of processing

1. SO not introduced/acquired/sponsored by B4
2. SO not currently regulated
3. No clearing between B4 and rest of banks
4. SO banked with B1, B2 and B3
5. No interoperability between banks
6. Risks to be borne by consumers b1 – b3





PASA # 2

**SARB/
SAMOS**

**REGULATED
ENVIRONMENT**

NON-REGULATED
OWN
CLIENT
PAYMENTS

ACQUIRING, COLLECTING, PAYING, CLEARING, BENEFICIARY BANK

ACQUIRING, COLLECTING, PAYING, CLEARING, BENEFICIARY BANK

ACQUIRING, COLLECTING, PAYING, CLEARING, BENEFICIARY BANK

ACQUIRING, COLLECTING, PAYING, CLEARING, BENEFICIARY BANK

SETTLEMENT CT P

SETTLEMENT DT P

PCH SYSTEM OPERATORS
BANKSERV

UP TO 18
ISSUING,
PAYING
BANKS

DEBIT PAYMENTS

CREDIT PAYMENTS



NON-REGULATED ENVIRONMENT

SARB DIRECTIVES MAY ESTABLISH PARTIAL REGULATION FOR PERSONS OPERATING I.T.O. S 4(2)(C) & S 7 OF NPS ACT

CONCENTRATORS,
SYSTEM
OPERATORS,
MERCHANTS

SECTION
4(2)(C)
NPS ACT

DDDD
EEEE
BBBB
IIII
TTTT

CCCC
RRRR
DDDD
IIII
TTTT

PPPP
AAAA
YYYY
MMMM
EEEE
NNNN
TTTT
SSSS

PPPP
AAAA
YYYY
MMMM
EEEE
NNNN
TTTT
SSSS

CONSEQUENCES OF S@S:

- 1.3 BILLION TRANSACTIONS PA CLEARED WILL DWINDLE TO 0.065 BILLION PA
- 1.24 BILLION MORE TRANSACTIONS PA WILL NOT BE REGULATED
- INTEROPERABILITY WILL FALL BY THE WAYSIDE
- INTERBANK STANDARDS TO CURB FRAUD WILL FALL AWAY – PARTICIPANTS HAVE DIFFERENT APETITES FOR FRAUD
- DEMISE (& SUNK COST) OF CURRENT CLEARING & SAMOS INFRASTRUCTURES
- THE INTERBANK BALANCING EFFECT OF CLEARING, IN CASES OF DISPUTES, BETWEEN CORPORATE AND CONSUMER CLIENTS WILL BE LOST
- LARGE BUSINESSES, UNLESS FORCED TO, WILL NOT ACCEPT PAYMENT MECHANISMS OF SMALLER PLAYERS.

BUSINESSES & INDIVIDUALS

NPS ACT –
SECTION 7
BENEFICIARY
SERVICE PROVIDERS

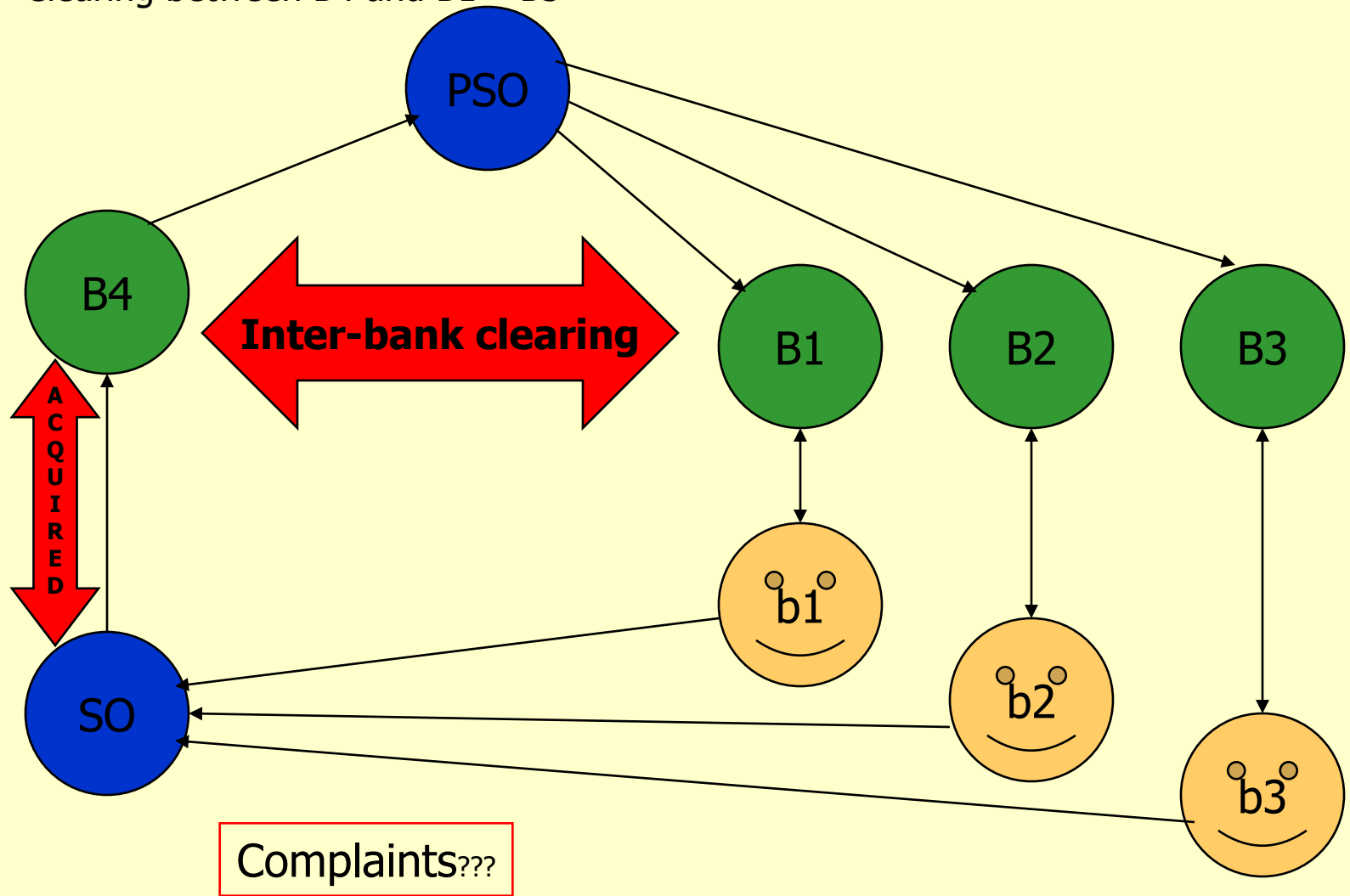
NPS ACT –
SECTION 7
PAYMENT SERVICE
PROVIDERS

BUSINESSES & INDIVIDUALS

CONTRACTS/PAYMENTS

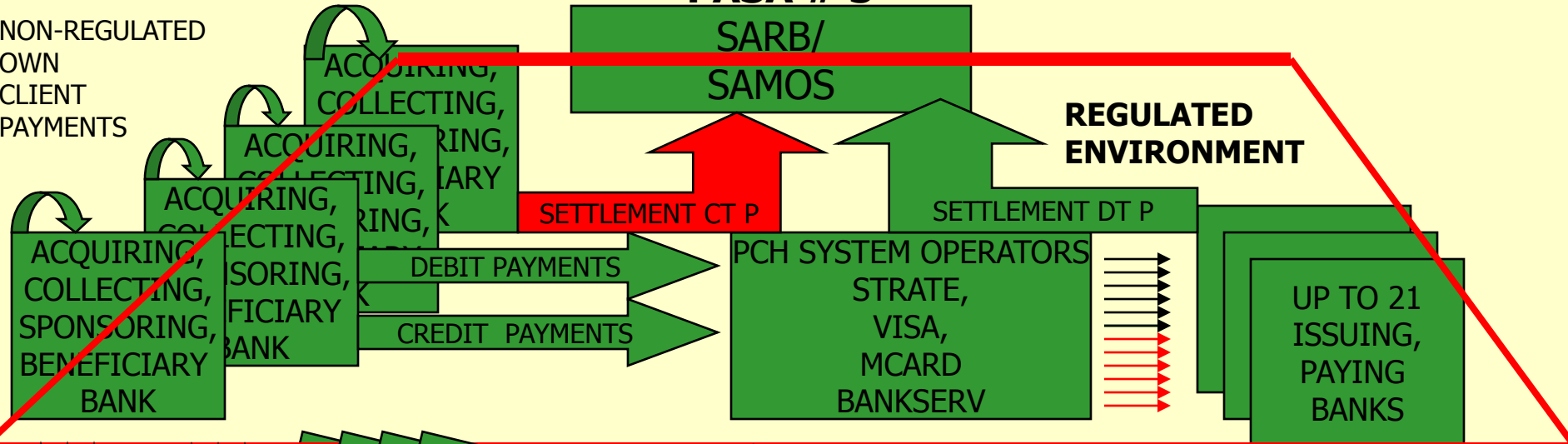
Normal transaction flow

1. SO acquired by B4
2. B4 responsible for risk
3. Clearing between B4 and B1 – B3



PASA # 3

NON-REGULATED
OWN
CLIENT
PAYMENTS



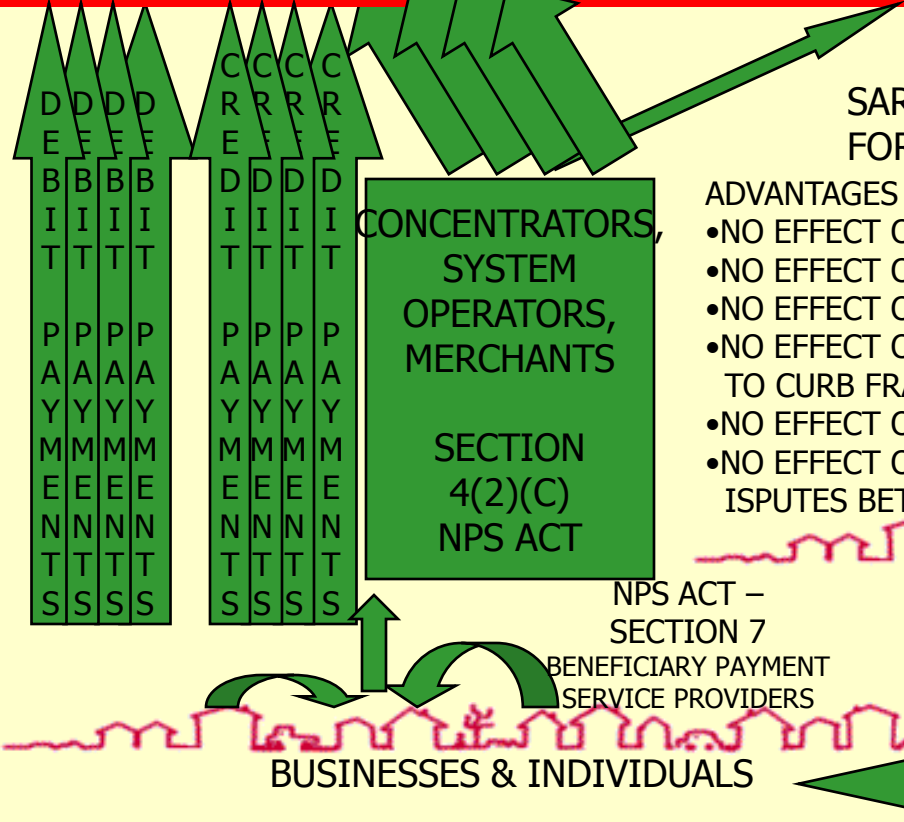
REGULATED ENVIRONMENT

NON-REGULATED ENVIRONMENT

SARB DIRECTIVES MAY ESTABLISH PARTIAL REGULATION FOR PERSONS OPERATING I.T.O. S 4(2)(C) & S 7 OF NPS ACT

ADVANTAGES OF MULTI BANKING:

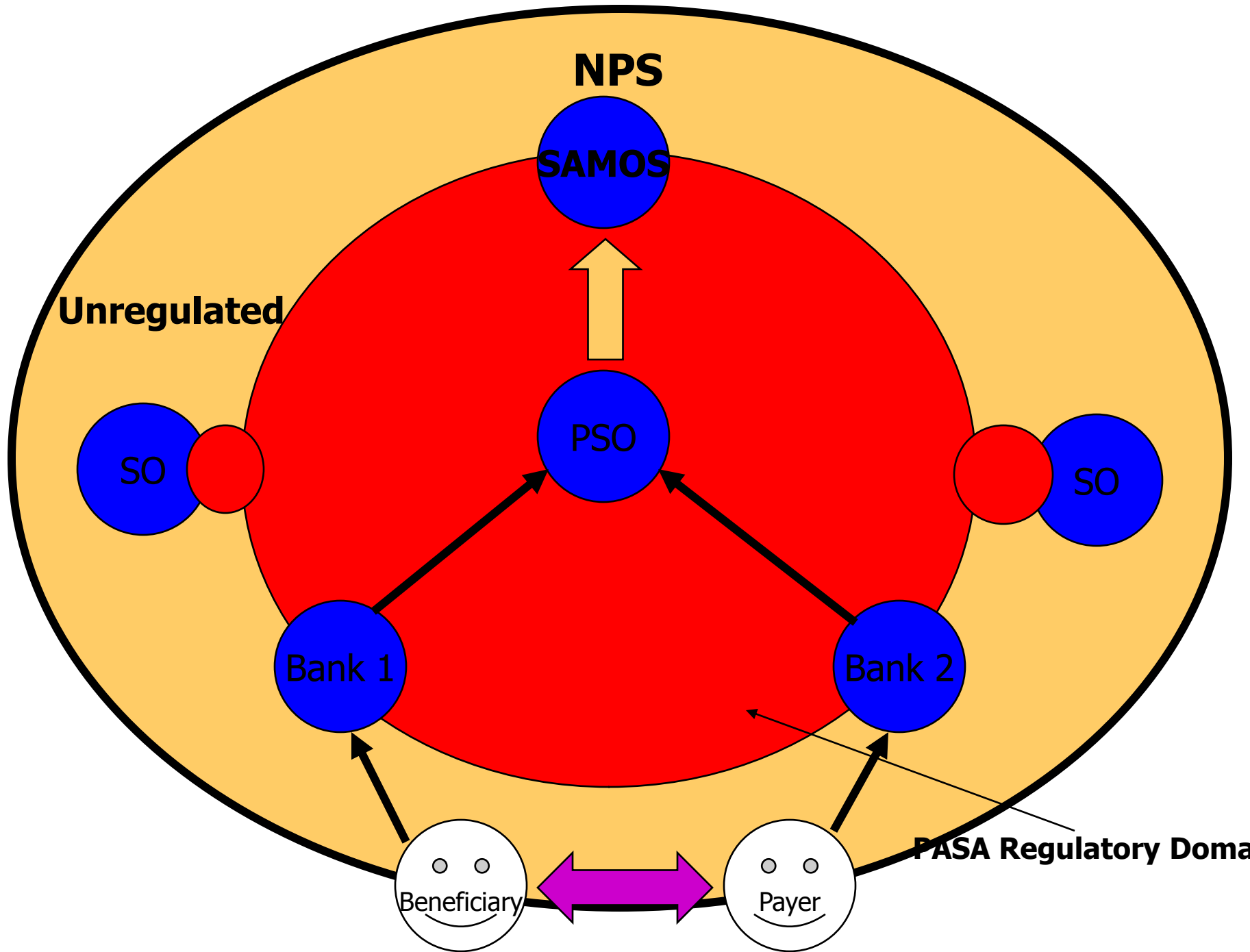
- NO EFFECT ON 1.3 BILLION TRANSACTIONS PA CLEARED
- NO EFFECT ON ON-US PAYMENT VOLUMES
- NO EFFECT ON INTEROPERABILITY
- NO EFFECT ON STANDARDS TO CURB FRAUD – PARTICIPANTS WORK TOGETHER TO CURB FRAUD
- NO EFFECT ON CLEARING & SAMOS INFRASTRUCTURES
- NO EFFECT ON INTERBANK BALANCING EFFECT OF CLEARING, IN CASES OF ISPUTES BETWEEN CORPORATE AND CONSUMER CLIENTS



BUSINESSES & INDIVIDUALS

NPS ACT – SECTION 7
PAYMENT SERVICE PROVIDERS

CONTRACTS/PAYMENTS



Unregulated

NPS

SAMOS

PSO

SO

SO

Bank 1

Bank 2

Beneficiary

Payer

PASA Regulatory Domain