

**FOR CONSULTATION PURPOSES ONLY**

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**South African Reserve Bank**

**Directive for conduct within the National Payment System in respect of the  
Financial Action Task Force Recommendations for electronic funds transfer**

**Directive no. 1 of 2019**

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### **1. Purpose**

1.1 The South African Reserve Bank (SARB) hereby issues this directive in terms of section 43A(2) of the Financial Intelligence Centre Act 38 of 2001 as amended (FIC Act) to provide for the conduct of accountable institutions relating to 'wire transfers' or electronic funds transfers as required by the Financial Action Task Force (FATF).

### **2. Definitions**

2.1 In this directive 'the FIC Act' means the Financial Intelligence Centre Act, 2001 (Act 38 of 2001), and 'the NPS Act' means the National Payment System Act 78 of 1998, and, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the FIC Act or the NPS Act, has that meaning, and

2.1.1 'beneficiary' refers to a person or entity that is identified by the originator as the receiver of the funds associated with the electronic funds transfer;

2.1.2 'beneficiary financial institution' refers to an accountable institution that receives an electronic funds transfer from an ordering financial institution, directly or through an intermediary financial institution, and makes the funds associated with the electronic funds transfer available to the beneficiary;

2.1.3 'cross-border electronic funds transfer' means an electronic funds transfer where either the ordering financial institution or the beneficiary financial institution is located outside the Republic of South Africa;

2.1.4 'domestic electronic funds transfer' means an electronic funds transfer where the ordering financial institution and beneficiary financial institution are both located in the Republic of South Africa;

2.1.5 'electronic funds transfer' means a payment instruction carried out by electronic means on behalf of an originator by an accountable institution with a view to making an amount of funds available to the beneficiary at another accountable institution irrespective of whether the originator and the beneficiary are the same person;

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- 2.1.6 'FATF' refers to the Financial Action Task Force;
- 2.1.7 "intermediary financial institution" means an accountable institution in a serial or cover payment chain that receives and transmits an electronic funds transfer on behalf of an ordering financial institution and beneficiary financial institution, or another intermediary financial institution;
- 2.1.8 'NPSD' means the National Payment System Department of the SARB that is responsible for the execution of the powers and duties contemplated in section 10(1)(c) of the South African Reserve Bank Act 90 of 1989 (SARB Act);
- 2.1.9 'ordering financial institution' means an accountable institution that initiates an electronic funds transfer and transfers the associated funds upon receiving the request for an electronic funds transfer on behalf of the originator; and
- 2.1.10 'originator' refers to a person who initiates a payment instruction to the ordering financial institution to execute the electronic funds transfer.

### **3. Scope of this directive**

- 3.1 This directive applies to accountable institutions that facilitate or enable the origination or receipt of domestic and cross-border electronic funds transfers and/or act as an intermediary in receiving or transmitting the electronic funds transfer.
- 3.2 This directive applies to electronic funds transfers for domestic and cross-border payments, including serial payments and cover payments, processed or utilised through the following payment streams:
  - 3.2.1 immediate settlement payment clearing house (PCH);
  - 3.2.2 electronic funds transfer credit PCH;
  - 3.2.3 real-time clearing PCH;
  - 3.2.4 Society of Worldwide Interbank Financial Telecommunications (SWIFT) network; and
  - 3.2.5 any other system and/or products that are able to initiate or process domestic and cross-border electronic funds transfer, as may be

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determined by the SARB from time to time and are expressly included in the scope of this directive.

3.3 The SARB reserves the right to determine the systems that will be included in the scope of this directive based on the nature of such transactions and potential risks that they could pose to the integrity of the National Payment System.

3.4 This directive does not apply to:

3.4.1 payment clearing house system operators as defined in the NPS Act;

3.4.2 designated settlement system as defined in the NPS Act;

3.4.3 any transfer that flows from a transaction carried out using a credit, debit or prepaid card for purchasing goods or services, so long as the credit, debit or prepaid card number accompanies all transfers flowing from the transaction. However, when a credit, debit or prepaid card is used to effect a person-to-person electronic funds transfer (i.e. a money/funds transfer), the transaction is covered by the directive and the necessary information should be included in the payment message;

3.4.4 any transfers and settlements between financial institutions, where both the originator and the beneficiary are financial institutions acting on their own behalf; and

3.4.5 electronic funds transfer debits.

### **4. Directive**

4.1 An ordering financial institution must include, subject to paragraph 4.5 below, the following information concerning the originator of an electronic funds transfer in the funds transfer and related messages:

4.1.1 the name of the originator;

4.1.2 account number (if the transaction is funded from an account); and

4.1.3 the originator's:

4.1.3.1 identity number, if the originator is a South African citizen or resident; or

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- 4.1.3.2 passport number or a number assigned by the ordering financial institution to the originator that uniquely identifies the originator to the ordering financial institution in respect of all transactions that the originator performs with that ordering financial institution, if the originator is not a South African citizen or resident; and
- 4.1.3.3 address, if such an address had been obtained from the originator.
- 4.2 An originator of an electronic funds transfer is the client of the ordering financial institution as contemplated in the FIC Act for the purposes of the execution of the electronic funds transfer. The ordering financial institution is required to comply with the FIC Act in relation to the originator of the electronic funds transfer.
- 4.3 An ordering financial institution must ensure that all information pertaining to the originator referred to in paragraph 4.1 above is included in the electronic funds transfer and related messages. All the required information must be obtained and verified in accordance with section 21 of the FIC Act and the institution's Risk Management and Compliance Programme.
- 4.4 An ordering financial institution must include the account number that the originator of an electronic funds transfer holds with the ordering financial institution in the funds transfer and related messages, if such an account is used to process the transaction. In the absence of such an account, the ordering financial institution must assign a unique transaction reference number that permits traceability of the transaction in the ordering financial institution's records, to the transaction and includes that transaction reference number in the electronic funds transfer and related messages.
- 4.5 An ordering financial institution must include, in the electronic funds transfers and related messages, the following information concerning the beneficiary:
  - 4.5.1 the name of the beneficiary; and

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- 4.5.2 the number of the account that the beneficiary holds with the beneficiary financial institution if such an account is used to process the transaction.
- 4.6 In respect of a cross-border electronic funds transfer not exceeding R5 000 an ordering institution must include the following information, at a minimum, in the electronic funds transfer and related messages:
- 4.6.1 the name of the originator referred to in paragraph 4.1.1 above;
- 4.6.2 the account number or unique transaction reference number referred to in paragraph 4.4 above; and
- 4.6.3 the name of the beneficiary and account number referred to in paragraph 4.5 above.
- 4.7 The information in 4.6.1, 4.6.2 and 4.6.3 need not be verified for accuracy, unless there is a suspicion of money laundering or terrorist financing, in which case, the financial institution should verify the information pertaining to its customer.
- 4.8 In respect of an incoming cross-border electronic funds transfer not exceeding R5 000 from high risk and other monitored jurisdictions as listed by FATF, a beneficiary institution must verify the accuracy of the beneficiary information.
- 4.9 If an ordering financial institution bundles more than one cross-border electronic funds transfers from a single originator in a batch file for transmission to beneficiaries.
- 4.9.1 the ordering financial institution in respect of the originator's information is permitted to include only the account number or a unique transaction reference number referred to in paragraph 4.4 above and
- 4.9.2 the information concerning a beneficiary referred to in paragraph 4.5 above for each beneficiary in the electronic funds transfers and related messages;
- 4.9.3 the batch file containing the required and accurate originator information and full beneficiary information should be fully traceable within the beneficiary country.

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- 4.10 In the case of a domestic electronic funds transfer an ordering financial institution is permitted to include, in the electronic funds transfer and related messages, only the account number or a unique transaction reference number referred to in paragraph 4.4 above and the information concerning a beneficiary referred to in paragraph 4.5 above, provided that the required information referred to in paragraph 4.1 can be made available, within three business days, to the beneficiary financial institution and to appropriate authorities or supervisory bodies upon request or demand in accordance with any law.
- 4.11 An ordering financial institution may not execute an electronic funds transfer if it cannot comply with the requirements referred to in paragraphs 4.1 to 4.10 above.
- 4.12 An ordering financial institution of the electronic funds transfer is required to comply with the record keeping as contemplated in the FIC Act.
- 4.13 An intermediary financial institution must ensure that all originator and beneficiary information that accompanies a cross-border and domestic electronic funds transfer remains with the electronic funds transfer or related messages throughout the payment chain.
- 4.14 Notwithstanding 4.9, an intermediary financial institution must ensure that the account number or a unique transaction reference number referred in paragraph 4.9 concerning a beneficiary and the required information concerning a beneficiary referred to in paragraph 4.5 remain with the electronic funds transfers and related messages throughout the payment chain.
- 4.15 An intermediary financial institution must take reasonable measures to identify cross-border and domestic electronic funds transfers that lack any of the information referred to in paragraphs 4.1 to 4.10 above.

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- 4.16 An intermediary financial institution must develop, document, maintain and implement effective risk-based policies and procedures for determining:
- 4.16.1 when to execute, reject or suspend a cross-border and domestic electronic funds transfers that lacks any of the information referred to in paragraphs 4.1 to 4.10 above; and
  - 4.16.2 the appropriate follow-up action that the intermediary financial institution will take in each instance where it executes, rejects, or suspends a cross-border and domestic electronic funds transfers referred to in paragraph 4.16.1 above.
- 4.17 An intermediary financial institution of the electronic funds transfer is required to comply with the record keeping as contemplated in the FIC Act.
- 4.18 A beneficiary financial institution must take reasonable measures to identify cross-border and domestic electronic funds transfers that lack any of the information referred to in paragraphs 4.1 to 4.10 above.
- 4.19 A beneficiary financial institution must develop, document, maintain and implement effective risk-based policies and procedures for determining:
- 4.19.1 when to execute, reject or suspend a cross-border and domestic electronic funds transfers that lacks any of the information referred to in paragraphs 4.1 to 4.10 above; and
  - 4.19.2 the appropriate follow-up action that the beneficiary financial institution will take in each instance where it executes, rejects or suspends a cross-border and domestic electronic funds transfers referred to in paragraph 4.19.1 above.
- 4.20 The beneficiary of an electronic funds transfer is the client of the beneficiary financial institution as contemplated in the FIC Act for the purposes of the execution of the electronic funds transfers. The beneficiary financial institution is required to comply with the FIC Act in relation to the beneficiary of the electronic funds transfer.

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4.21 The beneficiary financial institution of the electronic funds transfer is required to comply with the record keeping as contemplated in the FIC Act.

### **5. Compliance declarations and inspections**

5.1 An accountable institution to which this directive applies must submit an annual declaration by the Chief Executive Officer or equivalent together with the Anti-Money Laundering (AML) Compliance Officer of a accountable institution, with the assistance of the internal audit function, to the NPSD of the SARB, confirming the level of compliance of the systems and processes employed by that accountable institution to meet the requirements of this directive.

5.2 The compliance declaration shall be submitted by no later than 31 March each year in the format and manner prescribed by the SARB and sent to the address prescribed below.

5.3 Further, each accountable institution to which this directive applies must permit and assist any person(s) appointed by the SARB to inspect the transactions and the systems employed in processing the above-mentioned electronic funds transfers.

### **6. Effective date and non-compliance**

6.1 This directive becomes effective on the date of publication thereof and replaces directive 1 of 2015 as of that date.

6.2 Failure to comply with this directive may result in the imposition of an administrative sanction by the SARB, in accordance with section 45C of the FIC Act.

### **7. Conclusion**

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7.1 This directive is not exhaustive and may be supplemented or amended from time to time, as required by the SARB and/or the FIC.

7.2 Accountable institutions to which this directive applies that but is uncertain whether or not its current or future business practices are aligned with this directive, should initiate discussions with the NPSD of the SARB to clarify the matter.

7.3 Compliance declarations, as well as any enquiry or clarification concerning this directive should be addressed to:

The Head: National Payment System Department  
South African Reserve Bank  
PO Box 427  
Pretoria  
0001

7.4 The declaration should be sent to the following email address:  
[npsdirectives@resbank.co.za](mailto:npsdirectives@resbank.co.za).