

South Africa

National Payment System Act, 1998

Designation of Continuous Linked Settlement System as a Designated Settlement Systems, 2004

General Notice 2459 of 2004

Legislation as at 30 October 2004

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Designation of Continuous Linked Settlement System as a Designated Settlement Systems, 2004

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Designation by the Governor of the South African Reserve Bank in terms of section 4A(4) of the National Payment System Amendment Act, [Act No. 22 of 2004](#):

Designation of Continuous Linked Settlement ("CLS") system as a designated settlement system

1. Introduction

The South African Reserve Bank ("the Reserve Bank") is empowered to designate a settlement system as a designated settlement system in terms of section 4A(4) of the National Payment System Act, 1998 ([Act No. 78 of 1998](#) as amended by the National Payment System Amendment Act, [Act No. 22 of 2004](#) - "the Act"). Such designation may be made if the designation is in the interest of the integrity, effectiveness, efficiency or security of the payment system.

The objective of this Notice is to designate the CLS system as a designated settlement system and specify CLS Bank International as a designated settlement system operator. The designation will enable CLS Bank International to have a settlement account with the Reserve Bank, i.e., a real-time gross settlement account in the South African Multiple Option Settlement ("SAMOS") System.

2. Continuous Linked Settlement ("CLS")

The Act makes provision for the inclusion of the Rand in the CLS system.

The CLS system reduces foreign exchange ("FX") settlement risk through the introduction of Payment versus Payment, i.e. both legs of an FX transaction are simultaneously settled across the books of CLS Bank International. CLS Bank International, a bank organised under the laws of the United States of America, will hold a settlement account with the Reserve Bank.

The inclusion of the Rand in the CLS system will position the Rand as one of the top settlement currencies in the world and add to the strategic importance of the currency. The banking system will receive the risk, liquidity and efficiency benefits of the CLS system.

3. Designation

The Reserve Bank has, with due regard to principles of law, considered the provisions of the Act and all other relevant factors;

THEREFORE, I, Tito Titus Mboweni, Governor of the Reserve Bank, hereby, with effect from 1 November 2004—

- (1) in terms of section 4A(4) of the Act and subject to the conditions mentioned under the heading “CONDITIONS”, hereunder, designate the CLS System as a designated settlement system for purposes of the Act; and
- (2) in terms of section 4A(5), read with section 4A(4) of the Act, specify that CLS Bank International shall be the specified operator of the CLS System and shall function as the designated settlement system operator of the said system.

Conditions

The aforementioned designation by the Governor of the Reserve Bank is subject to the execution and implementation of, and the adherence to a SAMOS Service Agreement between CLS Bank International and the Reserve Bank.