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**GENERAL NOTICES • ALGEMENE KENNISGEWINGS**

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**SOUTH AFRICAN RESERVE BANK****NOTICE 2253 OF 2023****SOUTH AFRICAN RESERVE BANK****VARIATION NOTICE**

Variation by the Governor of the South African Reserve Bank in terms of section 6(3)(b) of the National Payment System Act 78 of 1998:

**Third variation of the conditions of the designation of the South African Postbank SOC Limited as a designated clearing system participant**

**1. Introduction**

1.1. The South African Reserve Bank (SARB) is empowered to vary and revoke any designation of a clearing system participant in terms of the National Payment System Act 78 of 1998, as amended (NPS Act). In terms of section 6(3)(b) of the NPS Act, the SARB may vary or revoke any designation by:

- 1.1.1 amending or revoking any condition to which the designation is subject; or
- 1.1.2 making the designation subject to a new condition or new conditions.

1.2. Section 6(3)(c) of the NPS Act provides that, in determining whether or not to vary or revoke a designation, the SARB may have regard to any or all of the following:

- 1.2.1 failure to comply with any condition to which the designation is subject;
- 1.2.2 whether or not the designated clearing system participant (DCSP) has knowingly furnished information or documents which are false or misleading in any material respect to the SARB in connection with the designation;
- 1.2.3 whether or not it is in the public interest to revoke the designation; and
- 1.2.4 any other matters that the SARB considers appropriate.

## 2. **Background to the variation of the conditions of the designation**

- 2.1. In November 2020, the SARB designated the South African Postbank SOC Limited (Postbank) as a DCSP in terms of section 6(3)(a) of the NPS Act. The designation was published in Regulation Gazette No.11200 of *Government Gazette* No. 43914 dated 20 November 2020 (Designation Notice).
- 2.2. Following the designation, the SARB engaged the Postbank regarding its non-compliance with the conditions of the Designation Notice.
- 2.3. To remedy the non-compliance, the SARB issued a notice published in Regulation Gazette No. 1606 of *Government Gazette* No. 45645 dated 17 December 2021 (Variation Notice) to vary the conditions of the Designation Notice of the Postbank as a DCSP. As a result, additional conditions were imposed and the Postbank was required to implement the conditions within 12 months from the gazetting of the variation notice, i.e. by 17 December 2022.
- 2.4. On 14 October 2022, the Postbank wrote to the SARB to request an extension of 15 months commencing on 17 December 2022 to implement the conditions of the variation notice. The request was prompted by the challenges experienced by the Postbank in implementing the variation notice conditions due to the moratorium imposed on the Information Technology (IT) Modernisation/Refresh project (project), which delayed the finalisation of the procurement and appointment of a service provider for the project. The lifting of the moratorium in June 2022 enabled the Postbank to finalise the procurement and appoint a service provider and to initiate the project. The Postbank provided the SARB with a comprehensive progress update in respect of the implementation of the conditions imposed in the Variation Notice. However, due to the time that had lapsed between the gazetting of the Variation Notice and the lifting of the moratorium, the Postbank was not able to complete the project by the set deadline of 17 December 2022 to be compliant with all the conditions outlined in the Variation Notice.

- 2.5. As a result, the SARB issued the Second Variation Notice (Government Notice No. 2883 of 2022, Regulation Gazette No. R 47765 of 23 December 2022) by extending the Variation Notice compliance date with 12 months to 17 December 2023, to enable the Postbank to comply with the rest of the Variation Notice conditions.
- 2.6. On 10 November 2023, the Postbank wrote to the SARB to request for an extension of the deadline for the Variation Notice from 17 December 2023 to 31 March 2025.
- 2.7. The moratorium, outlined in 2.4 above, was not lifted for recruitment and the appointment of other critical suppliers within the IT environment, including the appointment of a card scheme, a compliant banking switch and core banking system, a compliant disaster recovery capability and card manufacturer, until October 2022.
- 2.8. Therefore, Postbank commenced with the sourcing of these other critical IT suppliers and recruitment of resources for the project after October 2022. The sourcing of IT suppliers, appointment of a card scheme, upgrading of the financial switch to align with Europay, Mastercard, and Visa practices and Payment Card Industry Data Security Standard, and the core banking system was then only concluded during March 2023.
- 2.9. Owing to Postbank's progress and explanations of delays in complying with the outstanding conditions, the SARB issues this Third Variation Notice (Third Variation Notice). In addition to the conditions specified in the Designation Notice, Variation Notice and Second Variation Notice, the SARB imposes on Postbank additional conditions as outlined in paragraph 3 below.

### 3. **Variation**

- 3.1 The SARB as the regulator of the NPS hereby grants the Postbank an extension to comply with the Designation, Variation and Second Variation Notices on the following basis:

- 3.1.1 The SARB notes the progress that Postbank has made in implementing the Variation Notice conditions, and in complying with the timeline in the Second Variation Notice.
- 3.1.2 The reasons for the delay to implement the project as outlined in 2.7 and 2.8 are acknowledged.
- 3.1.3 On 12 October 2023, the Postbank presented its plan for the reissuance of all its South African Social Security Agency (SASSA) branded cards to the SARB and Department of Communications and Digital Technologies. This subsequently led to the commitment of the Minister of Communications and Digital Technologies to support Postbank's compliance in this regard.
- 3.1.4 Furthermore, the Postbank has cooperated and demonstrated commitment to remedy the non-compliance, particularly by committing to commence with the SASSA card distribution from 1 April 2024.
- 3.1.5 The ongoing engagement between the Postbank and the SARB on progress and developments.
- 3.2 In view of the above, the extension would be in the best interest of the safety, integrity, effectiveness, and efficiency of the NPS, as well as public interest.
- 3.3 Therefore, I, Mr E L Kganyago, Governor of the SARB, hereby, with effect from the date of publication in the Government Gazette:
- 3.3.1 vary the conditions in the Variation Notice read with the Second Variation Notice of the Postbank as a DCSP in terms of section 6(3)(b) of the NPS Act as follows:
- a) by extending the compliance date from 17 December 2023 to 31 March 2025, whereafter no further extensions will be granted;
  - b) by amending condition 4.1.11 in the Variation Notice as follows: submit monthly progress and status reports (reports) signed by the Postbank's Chief Executive Officer, Chief Information Officer and Chief Audit Executive on the implementation of the Designation Notice and

Variation Notice to the SARB within the first week of each month. In addition, schedule monthly meetings to be held every second week of each month with the SARB to deliberate on the reports. The meeting must be attended by at least the Chief Executive Officer, Chief Information Officer or Chief Audit Executive; and

- c) If the SARB, as part of monitoring the progress relating to the compliance with the Designation Notice, believes that all the conditions in the Designation Notice, as varied in Variation Notices will not be met by 31 March 2025, the SARB may require the transfer of the designated clearing system participant business of Postbank to another clearing system participant and to require that Postbank must ensure that such transfer is completed by 31 March 2025.
- d) The Postbank shall procure written undertakings from the administrator of the Postbank and the Minister of Communications and Digital Technologies in favour of the SARB within 90 calendar days after the publication of this notice to the effect that they will support and facilitate the fulfilment of the abovementioned conditions.

3.4 The conditions listed under paragraph 4 of the Designation Notice; paragraph 4 of the Variation Notice (including the amendment to 4.1.11 as outlined in 3.3.1 (b) above) and paragraphs 3.3.1 (c) and (d) above as well as the extension deadline in paragraph 3.3.1 (a) above apply exclusively to the designation of the Postbank and may be varied or revoked, and new conditions may be imposed, by the SARB by way of a notice in the Government Gazette.

Signed at **Pretoria** on this 7<sup>th</sup>..... day of **December 2023**

*Lesetja Kganyago*

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**EL Kganyago**

**Governor**

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