

# New Payments Industry Body

PIB Membership & Governance  
version 2.0 (excluding Board  
Composition, AGM Voting and OIIP  
entry criteria)

Signed off on 8 April 2022

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# Summary of Membership & Governance Key Considerations



# Further considerations for determining PIB membership category



## Guidance as provided by Design Principles and international models

Design Principles imply separating (payments) licensed members from members not requiring a license

Controls to ensure balanced decision making across membership categories

'Skin in the game' concept

Non-licensed parties have a voluntary membership category

Payment licensing requirements define the membership category. If multiple licenses, category of most onerous applies

Fewer categories preferred to reduce administrative complexity

Direct membership is mandatory for licensed entities (not via associations).



# Membership and Governance discussion points

1

## Membership categories

- Entities organised by activities in the Payments Ecosystem
- Mapping of entity activities to current and possible future regulation
- Other interested or impacted parties
- Role of Associations
- Membership category options

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## Committees and member structures

- PIB Proposed Committees
- Summary for membership categories
- PIB Member Structure - Decision making process
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## The Board

- Board Composition
- Independent Directorship
- Board Size
- Board Committees
- Board Members Appointment Process
- Board mandate

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## PIB Conceptual Structure Illustration

- PIB Conceptual Structure which results from section 1-3

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## Funding and other obligations\*

- Funding Principles
- Total PIB funding / income sources
- Part I, Annual Budget allocation
- Part II, Fair value share allocation of PASA assets
- Other Obligations

# Updated Membership and Governance



# Membership



# Entities organised by activities in the Payments Ecosystem



1

Systemically Important (SI) clearing participants

Clearing participants are licensed entities that participate in clearing payment transactions between deposit taking institutions. A systemically important clearing participant is a financial institution and clearing participant whose failure might trigger a financial crisis.

2

Operators (PSOs)

A Payment Clearing House (PCH) system operator (PSO) is an entity, other than a designated settlement system operator, that clears on behalf of any two or more clearing system participants (i.e., Strate, Bankserv, Visa, Mastercard).

3

Clearing participants

Designated clearing system participants and non-systematically important clearing participants which are members of PASA and clear in at least one payment stream. Clearing of payment instructions between these participants is achieved through authorised PCH System Operators (PSO's).

4

PSPs

A payment service provider (PSP) is any party licensed (via the COFI Act or the NPS Act), to provide payment services, including TPPPs and SOs. Any entity licensed under the new regulation will be included in this group. Slide titled "Payment Activities" refers with further detail.

A System Operator (SO) is a non-bank that provides electronic means to businesses to make or receive payments. A Third Party Payment Provider (TPPP) accepts money or payment instructions from persons for the purpose of making payments on behalf of those persons to third parties to whom those payments are due.

5

Other interested or impacted parties

Non-licensed payments system entities include but are not limited to business associations, merchants, consultants, software providers which are interested in or impacted by developments in the National Payments System.

# Mapping of entity activities to current and possible future regulation\*\*



Entity activity	Description	Examples	Current scenario	Potential future
1 Systemically Important (SI) clearing participants	The systemically important clearing participants as designated by SARB*	As per prevailing SARB definition *	Licensed by SARB / Admission by PASA	Licensed by FSCA / NPSD
2 Operators (PSOs)	An organisation licensed to provide NPS infrastructural components.	BankservAfrica, Visa, Mastercard, Strate	Authorisation by PASA	Licensed by NPSD
3 Clearing participants	Clearing participants not included in 1	Non-SI clearing Banks, Designated clearing participants	Licensed by SARB / Designation by SARB; Admission by PASA	Licensed by NPSD / FSCA
4 PSPs	PSPs are anyone who is licensed / authorized / registered but doesn't fall into 1, 2 and 3 above.	TPPPs, SOs	Registered and/or authorised with PASA	Registered / licensed by NPSD / FSCA
5 Other interested or impacted parties	Any non-licensed payments entities including interested or impacted parties	Business Associations, Merchants / Users, consultants, software providers etc.,	Not licensed by SARB PA/NPSD, PASA or by FSCA for payments participation or service provision	Not licensed by NPSD / FSCA for payments participation or service provision





# Payment Activities

Following is the list of activities included for licensing in the first draft of the COFI Bill (consequential NPS Act amendments). **Comment has been provided on all this content and it is expected that this list could change before the Act is promulgated.**

Payment Activities (A+B+C)	
A. Payment Services	
1.	Issuing of payment instruments
2.	Acquiring of payment transactions
3.	Provision of payment accounts
4.	Fund Placement Services
5.	Cash Withdrawal Services
6.	Execution of payment transactions: credit transfers, debit orders and card transaction
7.	Remittances
8.	Provision of third-party payments
	a) Payment initiation service
	b) Account information service
B. Clearing and Settlement	
9.	Clearing
10.	Settlement
C. Other Payment Activities	
11.	System Operator
12.	Payment aggregation (TPPPs)



# Other interested or impacted parties

Note: This slide is still under discussion. It is therefore excluded from the content that was signed off under Membership & Governance version 2.0 on 8 April 2022. An updated version of this slide may be presented for sign off with the Funding v 2.0 sign request.

## Potential Interested or Impacted Entities Types (Non-Licensed)

- Business Associations (e.g., eCommerce Forum, MFSA, BASA, ASISA), PSP Associations (e.g. ASO, CIBA) and Consumer Associations
- Merchants, Retailers, Users
- Professional services providers (consulting firms, legal specialist)
- Software providers
- FinTechs, BigTechs and others providing adjacent or complementary services

## Considerations

- Design principles guides that voluntary membership should be allowed where licensing is not a requirement
- Non-licensed entities can include both interested parties (such as consultants, legal firms) or impacted parties (such as merchants, users etc.,)
- Representation of either interested or impacted parties can be through associations
- Membership of such entities is on a voluntary basis only. It is practically not feasible to mandate the membership of these entities
- Design principles enable provision of membership for associations and individual entities

All non-licensed members of the payments community will be eligible to become members of the PIB via a voluntary membership category and will have to choose either of following two options:

Benefits	Basic	Prime
Ideal for	Service providers and small businesses	Entities interested to participate / be consulted in selected streams
Formal engagement via working or consultation groups/forums		✓
Review and comment on draft Specifications ahead of publication		✓
Informed about the decisions of formal meetings	✓	✓
Access to information (annual reports, meeting notes, project artifacts etc.,)	✓	✓
Pricing	Low fixed fee, No charges for qualifying SMEs	Fixed pricing per area of involvement



# Role of Associations

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## Considerations

1. Many associations have both members who will be required to be licensed and members who will not be licensed.
2. Entities whose membership is voluntary are considering whether to join the PIB via their Association, individually, or both
3. Associations, the majority of whose members have to be PIB members, are considering whether they too should be members
4. Some forums are limited by numbers, but have large groups of stakeholders (e.g. strategy forums), so Associations representing a community of participants will assist in reducing the number of direct participants in those meetings while maintaining appropriate stakeholder involvement

## Recommendations ✓

1. All associations, irrespective of their member type, are eligible to become members under Category 5: Other interested or impacted parties
2. Entities could choose individual membership and association membership. No limitation is put on the ability for associations and their members to hold direct PIB membership
3. Associations that intend to represent the voice of any non-licensed members, must have Prime membership if they choose to be members
4. Member associations will participate in structures in line with slide titled “Table 5: Other Interested or Impacted parties – Members” (refer following slide)
5. Associations that have licensed members but didn't choose to have PIB membership, can still represent constituencies in forums where there is constraint on numbers (e.g. strategy forums)

# Membership Categories



# Membership category options



Note: Timing of Other interested or impacted parties membership is still under discussion, however, the selection of Option Model 6 has been approved

Decision point #M2: Which categories of membership should be offered by the PIB?\*

Option Model 1: All 5 entity types as separate categories (5 categories)	Option Model 2: Combining SI clearing participants and PSOs as one category and rest separate (4 categories)	Option Model 3: Combining Clearing participants and PSPs and rest as separate (4 categories)	Option Model 4: Non-clearing participants together (4 categories)	Option Model 5: Banks, PSOs and combined non- clearing participants (3 categories)	Option Model 6: Combining SI and clearing participants and rest separate (4 categories)	Option Model 7*: Combining Banks and clearing participants, PSOs and rest separate (3 categories)
Systemically important clearing participants	PSOs and Systemically important clearing participants	Systemically important clearing participants	Systemically important clearing participants	Systemically important clearing participants	Banks and clearing participants combined	Banks and clearing participants, PSOs combined
Operators (PSOs)		Operators (PSOs)	Operators (PSOs)	Operators (PSOs)	Operators (PSOs)	
Clearing participants	Clearing participants	Rest of licensed (clearing participants and PSPs)	Clearing participants	Rest	PSPs	PSPs
PSPs	PSPs		PSPs and Other interested or impacted parties		Other interested or impacted parties	Other interested or impacted parties
Other interested or impacted parties	Other interested or impacted parties	Other interested or impacted parties	Against Design Principle 3.2	Against Design Principle 3.2	Feasible	Feasible

## Considerations

**Administrative complexities:** More categories result in more administrative processes relating to billing and onboarding.

**Sufficient granularity:** Categories must allow for sufficient differentiation in the rights and obligations of members. If two categories have the same rights and obligations, then they can be merged.

## Rationale

It is clear that 'Other interested or impacted parties' are very different from 'PSPs', who in turn differ from 'operators' and 'clearing participants'. That means that the viable options are 1, 2, 6 and 7 and it's the similarities / differences between SI clearing participants, clearing participants and operators which will ultimately determine the model. Arguably, Board processes are separate from the operational processes, suggesting the focus should be on commonality between member structure involvement and funding models. On that basis, SI Clearing participants and Clearing participants can be combined, indicating model 6.

✓ Recommendation



\* Provisional membership should be allowed for parties going through the process of becoming licensed or joining a clearing system. Such entities may enjoy observer status; however, there will be no voting entitlement or funding obligations.

# Committees



# PIB Proposed Committees



## Below are the proposed committees:

Structure type	Proposed Committees*	Description
<b>Governance structures</b>	Board	The apex governance body of the PIB
	Board Committees	Board committees are an extension of the Board; created to assist the Board to fulfil its duties
<b>Stakeholder forums</b>	Board Stakeholder forums	Board stakeholder forums are a mechanism for the Board to engage directly with specific groups of stakeholders
<b>Advisory committees</b>	Advisory committees (e.g. Legal committee, Competition committee, NPS Risk committee, Other advisory committees)	Advisory committees are for members and experts to provide expertise on specific topics
<b>Member participation structures*</b>	I. Stratco structure for co-ordination for payments streams: Low value debits Stratco, Low value credits Stratco, High value credits Stratco, Cards Stratco II. Rule Making and Regulatory Structures III. Risk, Assurance & Operational Effectiveness Structures IV. Strategy structures V. Project Structures VI. Consultation Structures	Member structures tasked with fulfilling the functions of the PIB
<b>PIB management structures</b>	ExCo and others to be defined in the Target Operating Model work	

Highlighted rows will be the focus area of following slides

# Member Participation Structures: PIB Member Structures Function Mapping



## The PIB functions previously discussed necessitate member structures:



F 5 Industry Representation and facilitation will be allocated across structures as per the nature of the content. In need, a dedicated forum / meeting will be created in order to respond to a specific request

Following functions could be treated as PIB management's responsibility and may not require member structures –

- F 1.5 Administrative support;
- F 3.1 Capacity Building;
- F 3.3 Thought Leadership;
- F 3.4 Payment statistics.



# Member involvement in participation structures



# Member roles in the participation structures



Members can take part in participation structures in different ways:

- I. **Voting participant:** A member who can cast a vote in a participation structure
- I. **Consulted:** A member who will be consulted on decisions; however, without voting rights
- I. **Informed:** The member will be informed about activities, progress and decisions taken in the structure, without any consultation and/or voting rights
- I. **Expert Advisors:** A member or non-member providing expert advice

## Notes:

- The Board may create participation structures or delegate the authority to create participation structures
- Some types of participation structures do not involve voting or decision making. These include:
  - **Advisory committees**, which are populated with experts on a given topic including but not limited to Legal and Competition Act committees
  - **Stakeholder forums**, which are an opportunity for consultation with stakeholders

# Table 1: Systemically important Clearing participants



Participant structure	Sub structure (if any)	Participant Role			
		Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes, if required (Board can set up consultation forum with SI Clearing participants)	Yes	
Stratco structure (including payment stream strategy)		Yes			
Rule making and regulatory structure	Interoperability Rules	Yes			
	Clearing standard setting	Yes			
	Standard setting for payment initiation layers	Yes			
	Compliance monitoring		No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures		Yes			
Strategy Structures	Overarching Payments Strategy	Yes			
	Common services e.g., overlay and initiation services	Yes			
	Others (emerging strategic topics)	Yes			
Project Structure		Yes			
Consultation Structure				Yes	Yes

# Table 2: Operators (PSOs)



Participant structure	Sub structure (if any)	Participant Role			
		Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes, if required (Board can set up consultation forum with PSOs)	Yes	
Stratco structure (including payment stream strategy)		Yes			
Rule making and regulatory structure	Interoperability Rules	Yes			
	Clearing standard setting	Yes			
	Standard setting for payment initiation layers	Yes			
	Compliance monitoring		No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures		Yes			
Strategy Structures	Overarching Payments Strategy	Yes			
	Common services e.g., overlay and initiation services	Yes			
	Others (emerging strategic topics)	Yes			
Project Structure		Yes			
Consultation Structure				Yes	Yes

# Table 3: Clearing Participants



Participant structure	Sub structure (if any)	Participant Role			
		Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes, if required (Board can set up consultation forum with Clearing participants)	Yes	
Stratco structure (including payment stream strategy)		Yes			
Rule making and regulatory structure	Interoperability Rules	Yes			
	Clearing standard setting	Yes			
	Standard setting for payment initiation layers	Yes			
	Compliance monitoring		No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures		Yes			
Strategy Structures	Overarching Payments Strategy	Yes			
	Common services e.g., overlay and initiation services	Yes			
	Others (emerging strategic topics)	Yes			
Project Structure		Yes			
Consultation Structure				Yes	Yes

# Table 4: PSPs



Participant structure	Sub structure (if any)	Participant Role			
		Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes, if required (Board can set up consultation forum with PSPs)	Yes	
Stratco structure (including payment stream strategy)		Yes			
Rule making and regulatory structure	Interoperability Rules		Yes		
	Clearing standard setting		Yes		
	Standard setting for payment initiation layers	Yes			
	Compliance monitoring		No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures			Yes		
Strategy Structures	Overarching Payments Strategy	Yes			
	Common services e.g., overlay and initiation services	Yes			
	Others (emerging strategic topics)	Yes			
Project Structure		Yes			
Consultation Structure			Yes		

# Table 5: Other Interested or Impacted parties - Members



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Participant structure	Sub structure (if any)	Voting Participant*	Consulted*	Informed	Expert Advisor
Advisory Committees				Yes	Yes
Board Stakeholder Forum			Yes	Yes	
Stratco structure (including payment stream strategy)			Dependent on membership type	Yes	
Rule making and regulatory structure	Interoperability Rules		Dependent on membership type	Yes	
	Clearing standard setting			Yes	
	Standard setting for payment initiation layers			Yes	
	Compliance monitoring		No member involvement in the normal course; performed as a PIB function		
Risk and Operational Effectiveness (ROE) Structures				Yes	
Strategy Structures	Overarching Payments Strategy		Dependent on membership type	Yes	Yes
	Common services e.g., overlay and initiation services			Yes	Yes
	Others (emerging strategic topics)			Yes	Yes
Project Structure		Yes, if required (needs basis)	Yes, if required (needs basis)	Yes	
Consultation Structure			Yes	Yes	

# Table 6: Non-members



Participant structure	Sub structure (if any)	Participant Role			
		Voting Participant	Consulted	Informed	Expert Advisor
Advisory Committees				As Appropriate	Yes (needs basis)
Board Stakeholder Forum					
Stratco structure (including payment stream strategy)					
Rule making and regulatory structure	Interoperability Rules				
	Clearing standard setting				
	Standard setting for payment initiation layers				
	Compliance monitoring				
Risk and Operational Effectiveness (ROE) Structures					
Strategy Structures	Overarching Payments Strategy				
	Common services e.g., overlay and initiation services				
	Others (emerging strategic topics)				
Project Structure					
Consultation Structure					



# Member participation structures



# PIB Member Structure - Decision making process



## Decision making process

### Considerations

- PIB Board is the governing body of the PIB and should be mandated to establish appropriate structures to fulfill the objectives of the PIB
- Decision making should be governed by a Delegation of Authority to appropriately capacitated forums/ structures/ committees in a fair and transparent manner that is disclosed to all members/stakeholders
- The size of the structures has not been predetermined and will be dependent on members directly impacted

Board delegates responsibility to a Structure

Structure terms of reference (approved by Board) defines membership, ways of working, areas of responsibility

Structure fulfills function within delegated responsibility, building necessary levels of consensus (preferred) or attaining required support through voting

Stakeholder forum consultation as required \*

Regulator 'No Objection' as required \*

Board Approval as required \*

### Recommendations

- The Board should have the ability to create the necessary member structures in order to fulfill the function and scope of the PIB
- The Board may delegate the decision to create member structures to either PIB management or to member structures themselves (e.g., a member structure could have the mandate to create specialised sub-committees to support its function)

### Who will be consulted:

- Members who do not have a seat at the table or a vote (e.g. PSPs and Other impacted or Interested parties for Interoperability Rules);
- Other impacted or Interested parties who have selected the Prime membership option;
- Members who have a legitimate interest and/or who are impacted by the changes

# #1 Stratco Structures



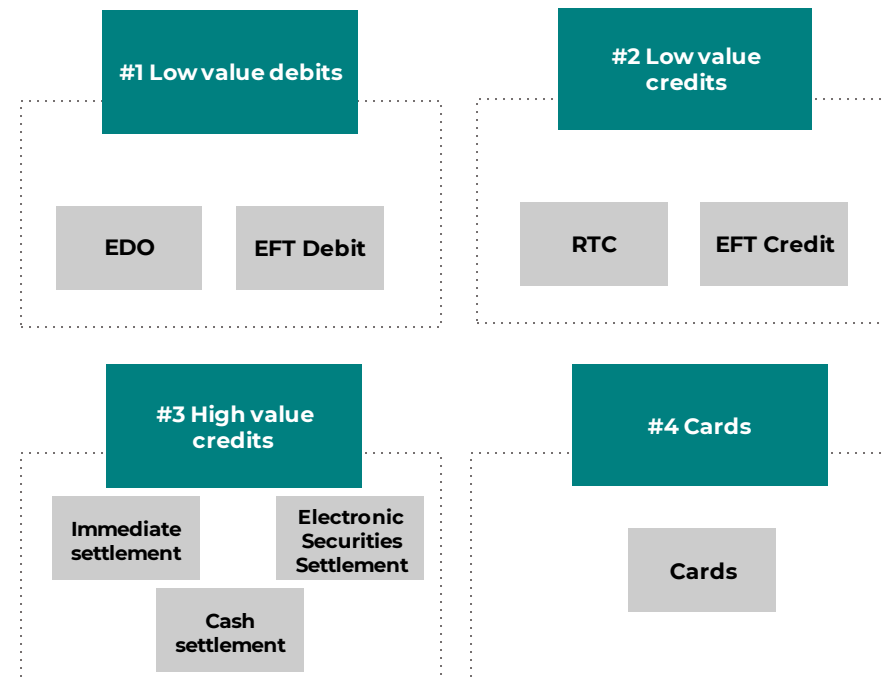
## Role of Stratco Structures

- Co-ordinate and align a holistic view of the payment stream
- Develop strategy for specific payment streams
- Responsible for aligning support for ongoing innovations in the respective payments stream
- **Maximum 30 members** – include representatives from membership groupings showed below

## Participation in Stratco structure

Manco/Category	SI clearing participant	Operators (PSOs)	Clearing participant	PSPs	Other interested or impacted parties
Low value debits Stratco	✓	✓	✓	✓	Dependent on membership type
Low value credits Stratco	✓	✓	✓	✓	Dependent on membership type
High value credits Stratco	✓	✓	✓	✓	Dependent on membership type
Cards Stratco	✓	✓	✓	✓	Dependent on membership type

The existing PCH PGs in PASA can be aligned to proposed payments groupings (to be finalised in transition phase) :



# Member Structure #2: Rule making and regulatory structure



## PIB Function

- Setting the interoperability rules
- Ensuring interoperability across operators via acting as common standard authority
- Act as a mediator if scheme owner is unable to resolve scheme rule disputes
- Consult with the industry to define payment initiation standards
- Monitor compliance as mandated

## Considerations

- Balancing right of issuers and acquirers (or collectors and payers)
- Strong preference for consensus over voting
- Voting parameters (allocation of votes, what constitutes a winning vote, does the Chair have a deciding vote)
- Is the Chair elected from the committee members or independent (PIB employee)

## Sub-structures

<b>Interoperability Rules</b>	Only clearing participants in that stream
<b>Clearing standard setting</b>	Only clearing participants in that stream
<b>Standard setting for payment initiation layers</b>	All parties involved in providing that type of payment initiation, as well as clearing participants for impacted streams
<b>Compliance monitoring</b>	Should be conducted by PIB personnel as independent parties

## Recommendations

- Sufficient consensus is preferred, but a supermajority\* should be required to carry any vote (so deciding vote for Chair does not apply)
- All clearing participants must participate in interoperability rules and standards structures and each should have a vote
- Standard setting for payment initiation layers committee size should be limited (Leo Lipis best practice suggested 30) and if necessary, made up of representatives of constituencies
- Recommend independent chairs (PIB employees) for payment initiation layer standard setting given more diverse participants
- Recommend member appointed chairs for interoperability rules and standards given the operational expertise required

# Member Structure #2: Rule making and regulatory structure



Member categories	Interoperability Rules*	Clearing standard setting*	Standard setting for payment initiation layers*	Compliance monitoring
<b>SI Clearing participants</b>	Voting Participant	Voting Participant	Voting Participant	No member representation; conducted by independent PIB personnel
<b>Operators (PSOs)</b>	Voting Participant	Voting Participant	Voting Participant	
<b>Clearing participants</b>	Voting Participant	Voting Participant	Voting Participant	
<b>PSPs</b>	Consulted	Consulted	Voting Participant	
<b>Other interested or impacted parties</b>	Consulted / Informed	Consulted / Informed	Consulted / Informed	

# Member Structure #3: Risk and Operational Effectiveness (ROE) Structures



## PIB Function

- Use the PASA Risk framework and enhance it to reflect the new scope of PIB
- Perform risk remediation and mitigation actions as defined
- In-scope components of Payment System Operations

## Considerations

- Although decisions are taken in these forums (risk ratings, assessment of risk relative to risk ratings, operational effectiveness standards), these decisions should be strongly based on clear and agreed frameworks
- Sufficient consensus is preferred, but a supermajority\* should be required to carry any vote (so deciding vote for Chair does not apply)

## Recommendations

- As this falls within the Payment System management, the forums should only incorporate those parties who participate in the payment system under consideration
- The decisions in these forums should be based on agreed frameworks for defining and managing risk and for assessing operational effectiveness
- Decisions should be made by consensus or supermajority
- Forums should be chaired by independent SMEs – i.e., PIB personnel
- All parties whose operational effectiveness and risk elements are being considered should be included – so system operators and participants
- Critical to ensure that robust incident communication mechanisms are in place for impacted users who are not represented on these forums

# Member Structure #3: Risk and Operational Effectiveness (ROE) Structures



Member categories	ROE Structure*
SI Clearing Participants	Voting Participant
Operators (PSOs)	Voting Participant
Clearing participants	Voting Participant
PSPs	Consulted
Other interested or impacted parties	Informed

# Member Structure #4: Strategy Structures



## PIB Function

- Leveraging multiple regulatory vision documents, PIB mandated to define (in consultation with industry) a multiyear payments strategy for the country; draws up a development roadmap with initiatives
- Provide inputs into Industry strategic issues

## Considerations

- How to structure payment stream strategy committees given the convergence across payment streams (e.g., real time credits in RPP and Card)
- Whether there should be an overarching committee or whether emerging topics should be allocated to specific payment stream working committees
- Should there be different levels of strategy committees: i.e., committees responsible for developing payment stream roadmaps for specific payment streams, vs other committees looking across payment streams
- Maintaining strategy committees at a manageable size

## Structure Composition

Structure*	Number of attendees	Made up of
<b>Overarching Payments Strategy</b>	Max 30	Balance of SI clearing participants, PSO, clearing participants; PSP and Other interested or impacted parties
<b>Common services e.g., overlay and initiation services</b>	Max 30	Balance of SI clearing participants, PSO, clearing participants; PSP and Other interested or impacted parties
<b>Others (emerging strategic topics)</b>	Max 30	Balance of SI clearing participants, PSO, clearing participants; PSP and Other interested or impacted parties

## Recommendations

- Strategy work will be done within a payment stream specific **Strategic Committees (Stratcos)**, mainly to determine the roadmaps for such existing payment stream development and modernisation, e.g.:
  - Low value debits
  - Low value credits
  - High value credits
  - Card
- A further level of strategic coordination is required to collaborate on common overlay and other allied functions (e.g., proxy, QR codes) which need to apply across multiple payment streams
- A single **overarching Strategy Committee** should consider these areas of convergence and also look at emerging payments trends and should formulate an overarching strategy that aligns with Vision 2025 objectives (The big picture)
- Specific strategic issues or interests can be pursued within **dedicated (topic specific) forums or working groups** as required

\* Payment Stream specific strategy will be handled by Stratcos



# Member Structure #4: Strategy Structures



Member categories**	Overarching Payments Strategy*	Common services e.g., overlay and initiation services*	Others (emerging strategic topics)
<b>SI Clearing Participants</b>	Voting Participant	Voting Participant	Voting Participant
<b>Operators (PSOs)</b>	Voting Participant	Voting Participant	Voting Participant
<b>Clearing participants</b>	Voting Participant	Voting Participant	Voting Participant
<b>PSPs</b>	Voting Participant	Voting Participant	Voting Participant
<b>Other interested or impacted parties</b>	Consulted / Informed	Consulted / Informed	Consulted / Informed

# Member Structure #5: Project Structure



## PIB Function

- Involvement in certain projects depending on project type. (e.g., involvement in interoperability related projects, projects involving multiple PSOs, projects involving changes to PIB rules)
- Provide platform for getting market participants together to discuss innovations

## Considerations

- Is there a need for decision making in project structures? What governance should be in place for project decisions?
- How do you balance the interests of all the parties participating in a project structure (and do you need to balance interests if the project charter is clearly defined)?

## Recommendations

- All SI Clearing Participants, PSOs, and other Clearing participant, who have to deliver on a given project must have direct representation
- PSPs and Users who also have to deliver should have representation on an association/ representative basis (not individually)
- While every attempt should be made to keep the project structure to a manageable size, there must be adequate involvement from all those who are impacted
- Decision making should be limited to project elements: scope and timing (funding is not within the scope of the PIB)
- Whether the project allows for some parties to go live before others or requires a coordinated industry go-live should determine how time and scope decisions are made
- All members not required to be part of the project structure should be given an option to be informed of project artifacts, activities and progress

# Member Structure #5: Project Structure



Member categories	Project structures*
<b>SI Clearing Participants</b>	Voting Participant
<b>Operators (PSOs)</b>	Voting Participant
<b>Clearing participants</b>	Voting Participant
<b>PSPs</b>	Voting Participant (Via associations or individually)
<b>Other interested or impacted parties</b>	Voting Participant (Via associations / representation basis, not individually)

# Member Structure #6: Consultation Structure



## PIB Function

- These forums exist to ensure consultation with those who are impacted but do not have a seat at the decision-making forum table
- The design principles require robust consultation with impacted parties and further require that the minority voice should be considered

## Considerations

- These forums exist to ensure consultation with those who are impacted but do not have a seat at the decision-making forum table
- The design principles require robust consultation with impacted parties and further require that the minority voice should be considered
- Escalation processes must exist so that consultation forums can choose to escalate matters where they are not satisfied with the decisions made after consultation. This implies that consultation forums must be told the outcome of the decisions on which they were consulted
- Consultation forums should be encouraged only to escalate material matters and not to use the escalation mechanism as a means to obstruct industry progress
- Best practice makes it clear that transparency from decision making forums is critical for the consultation process to be credible

## Recommendations

- Consultation structures are made up of **other interested or impacted** parties who do not have a seat at the decision-making table
- Forums should be chaired by an elected chair from the impacted constituency
- Consultation can happen via any formal platform including physical or virtual means such as but not limited to mails
- The chair or vice chair of the decision-making forum should present the proposed decisions and engage with feedback from the consultation forum
- The feedback must be relayed to the decision-making forum and must include majority and minority views
- The consultation forum must be informed of the decision ultimately taken and why the decision was made
- Consultation forums should mirror rule making and regulatory forums (e.g., if there is a DebiCheck rule forum, then there should be a DebiCheck consultation forum)

# Member Structure #6: Consultation Structure



Member categories	Consultation structure*
SI Clearing Participants	Informed
Operators (PSOs)	Informed
Clearing participants	Informed
PSPs	Consulted / Informed
Other interested or impacted parties	Consulted / Informed

# Advisory Committees



The Advisory Committees are a structured way for the PIB to obtain expertise in focused areas including but not limited to cybercrime prevention, fraud.

## Few examples of Advisory Committees:

- Cyber security advisory committee
- Fraud prevention advisory committee
- Cross border payments advisory committee
- Legal and Competition Act committees

## Considerations

- Provide expert counsel and professional support (e.g. legal drafting of rules, contracts and legal opinion) on issues raised or any specific topic pertaining to PIB functions and scope
- As an expert committee, the committee should reach consensus and not resort to voting. If consensus is not possible, strong differing opinions such as "minority" opinions should be acknowledged in the committee's report to the Board, structures it supports and participating members
- Ensuring best practice / expert recommendations or services given to the Board and other structures.
- Topic-specific expert advisors (members or non-members) should be included in the advisory committee and independent experts should be paid for their participation

Decision point #C1: Should advisory committees be part of the PIB structure?

**Option 1:** Yes ✓

**Option 2:** No

### Rationale:

The Board should have the mandate to constitute advisory committees as and when needed. Committee members should be appointed based on their demonstrated expertise and experience in the domain of the committee.

All PIB members should have access to the outputs of advisory committees.

# Advisory Committees



Member categories	Advisory committee member*	Advisory committee outputs*
<b>SI Clearing Participants</b>	<b>Members</b> May appoint SMEs to participate	Informed
<b>Operators (PSOs)</b>	<b>Members</b> May appoint SMEs to participate	Informed
<b>Clearing participants</b>	<b>Members</b> May appoint SMEs to participate	Informed
<b>PSPs</b>	<b>Members</b> May appoint SMEs to participate	Informed
<b>Other interested or impacted parties</b>	<b>Members</b> May appoint SMEs to participate	Informed
<b>Other representation (Non-member)</b>	Paid experts may be appointed to committee	N/A

\*Consultation only apply to the scope areas where the party is active or impacted or provides active support (e.g. legal drafting)

# Board Stakeholder Forum



Board Stakeholder Forums are created so that the Board can engage directly with various stakeholders who may not be represented sufficiently elsewhere in the PIB structures. The creation of Board Stakeholder forums will be at Board discretion.

## Considerations

- The Board should have the ability to create stakeholder forums engage with members or non-member stakeholders as needed
- Chaired by Board Member and at least one other Board member must attend, one of whom should be independent. Other board members may attend as observers on a voluntary basis
- Ensure that the board has access to the views of different stakeholder groups
- The initial hypothesis is that a stakeholder forum will be required for interested or impacted parties, given the recommendations showing limited representation of other interested or impacted parties on PIB structures (Board and member structures)
- The stakeholder forum could be a key mechanism in the consultation processes envisaged in the design principles

## Decision Point #C2: Should the Board be able to create the Stakeholder forums as and when needed?

**Option 1:** Yes ✓

**Option 2:** No, there should be only one Stakeholder forum

### Rationale:

Board should have ability to create stakeholder forums as and when needed.



# Board Composition



# Board Composition



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## Board of Directors Composition in select few global payments bodies

Director Type	Payments Canada <sup>1</sup>	Pay.UK <sup>2</sup>	AusPayNet <sup>3</sup>	PASA
Principal Regulator Director	0	0	1 (voting)	1 (non-voting)
Executive Director	1	2	1	1
Non-Executive Directors (Members)	5	3	8	>=7; <10
Independent Directors (Non-member)	7	7	2	Min 1, Max 5
<b>Total directors</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>9 - 17</b>
Percent of Independent Directors	54%	58%	17%	<50%

<sup>1</sup> Source: CPA Act

<sup>2</sup> Source: Pay.UK official website

<sup>3</sup> AusPayNet board consists of equal numbers of appointing and electing non-executive directors where appointing directors are representatives from SIF's holding minimum market share of 5% and participation in 3 or more payment systems while electing directors are representatives from rest of participant members category. Board numbers are thus variable. (Source: AusPayNet constitution)

### Decision point #B1: How many Executive Directors should be on the Board?

**Option 1:** 1 Executive Director

**Option 2:** 2-3 Executive Directors ✓

#### Rationale:

Over dependence on a single Executive Director can lead to biased messaging and accountability issues.

### Decision point #B2: Should the Principal regulator (SARB) be given board representation?

**Option 1:** No

**Option 2:** Yes, one director from SARB, voting director

**Option 3:** Yes, one director from SARB, non-voting director (Continue as-is) ✓

#### Rationale:

Representation of SARB on the Board will ensure the public policy objectives are in line with the NPS. However, SARB may not be provided the voting power as SARB can exercise higher powers as regulator.

# Independent Directorship



## Considerations

- King IV Report on Governance for South Africa, 2016 recommends a majority of non-executive directors, of whom the majority should be independent
- Our case studies suggest that a majority independent board risks alienating the members, particularly those with material "skin in the game"
- Experience suggests that a minority independent Board, with an independent Chair and Vice Chair is a very workable model
- Independent directors are required to bring balance to the different perspectives put forward by stakeholder representatives

## Decision point #B3: What percent of the Board should be independent?

- Option 1:** Less than 50%, – Independent Chair and Independent Vice Chair ✓
- Option 2:** More than 50% (Majority independent) – Independent Chair and Independent Vice Chair

### Rationale:

While independent directors are needed for their uninvolved perspective, it is important to balance industry expertise with independence. Stakeholders (members) with material "skin in the game" bring expertise and context to the board. Therefore, it is proposed that the independents, while necessary, should not be a majority.

# Board Size



## Considerations

- Smaller Board size can lead to easier decision making but at the same time it is less diverse due to reduced members
- Larger board size gives greater opportunity for diversity and broader range of skill sets. However, decision making might not be as efficient as a smaller board size
- Representation of SARB on the board of directors is necessary to ensure public policy objectives are met and are aligned to the NPS
- To avoid biased messaging more than one executive director can be considered
- Best practices (King IV) suggests it is important to have appropriate mix between independence and industry expertise
- As a member organisation stakeholders should have a material say in running of PIB
- Quorum: A quorum for a Board meeting shall be established at the meeting by sufficient persons to represent at least 50% + 1 by number of the Directors entitled to vote



✓ Recommendation

## Decision point #B4: What should be the ideal size of the Board?

**Option 1:** <10 directors

**Option 2:** 10-15 directors ✓

**Option 3:** >15 Directors

**Rationale:**

It is imperative to decide on board number that not only ensures effective decision making but also allows space for a diverse set of skills and experience.

# Board Composition Options



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## Decision Point #B5: What should be the Board composition of the PIB?

Directors	Option 1	Option 2	Option 3	Option 4	Option 5 *
Executive Directors	2	2	2	2	2
SARB appointed Director	1	1	1	1	1
Independent Directors	4	3	4	4	4
Directors drawn from SI Clearing participants members	2	3	4	4	3
Directors drawn from Clearing participants	2			4	2
Directors drawn from Operators (PSOs) members					
Directors drawn from PSP members	4	3			3
Directors drawn from other interested or impacted parties members					
<b>Total Size</b>	15	12	11	15	15

### Rationale:

- The Board will need at least four independent directors to get the right balance of skills to support Risk, Audit, Legal and Governance specialties. Option 1 will also balance the skills and experience of board members to incorporate a good balance from those who undertake majority of the risks in the system and have the most "skin in the game".
- Candidates from a particular category will be able to vote for/against for the nominated candidate from that category. This will ensure the skills from certain environments are reserved and appropriately represented on the Board. All voting members will be eligible to vote for Independent Directors.

\*Option 5 has been added following Industry input

✓ Recommendation

# Board Committees



The Board Committee is a small working group appointed by the Board, consisting of board members and others, for the purpose of supporting the Board's work. Committees are generally formed to perform expert work and are defined and structured by the Board itself when needed in line with the best practices.

## Considerations

- Ensure compliance to local laws & best practice (Company Act, King IV)
- Committees enable better management of full board's time and allow in-depth scrutiny and focused attention
- Ensure the committee has a specific charge or set of tasks to address and ensure board members understand the same
- Have representation of board members within the committee

## Few examples of board committees:

- **Audit committee:** Charged with the principal oversight of financial governance and audit assurance
- **Risk Management Committee:** Responsible for framing, implementing and monitoring the risk management plan for the company
- **Nomination and Remuneration Committee:** Ensure that benchmarked remuneration arrangements support the strategic goals of the business and more importantly to conduct performance evaluation of every director



Decision Point #B6: Should the Board be able to determine the Board Committees as and when needed, in line with best practices and prevailing legislation?

**Option 1:** Yes ✓

**Option 2:** No, committees should be defined upfront as part of the PIB design

### Rationale:

The PIB Board should be empowered to fulfill its responsibilities, and thus should be given the opportunity to determine board committees as and when needed, if minimum compliance requirements are met.

# Board Member Appointment Process



# Independent board member appointment



## Identify suitable candidates

- Nomination committee performs an assessment of the board needs to determine the skills, experience, expertise, diversity required for a balanced board
- Define Board requirements
- Define candidate criteria for role
- Obtain candidates via LinkedIn, head-hunters, network recommendations

## Assess candidates

- Nominations committee conducts due diligence, shortlists and interviews.
- Recommends to Board
- Board can appoint on an interim basis until the next General Meeting
- Board recommends to General Meeting

## Recommend to the General Meeting

- General Meeting approves or declines recommendations from the Board



# Member-elected board member process



## Option 1

### Member integrated version \*

Focus on member involvement in selecting board members

### Call for nominations for candidates from in-scope members

- Nomination committee performs an assessment of the board needs to determine the skills, experience, expertise, diversity required for a balanced board
- Call for nominations to all in-scope members.
- Call for nomination must include requirements / criteria
- Members may nominate any appropriate candidate, not necessary from own resources
- At least two member representatives must support the nomination and the candidate must accept the nomination

### Assess candidates

- Nominations committee conducts due diligence, reviews nominations against criteria and accepts / rejects candidates depending on whether they meet minimum requirements
- Nominations committee may request additional information / interview in need
- The Board puts forward nominees who meet the criteria to the in-scope community for election

### Forward to the in-scope membership for election

- The in-scope membership elects Board representatives from the nominees who meet the criteria as determined by Nomination Committee
- Each member may cast a vote per board seat
- The nominees receiving the highest votes are appointed to the Board

\*Process runs up to three times, depending on option selected on slide 'Board Composition'

\*Whereas SI clearing participants directly appoint employees to the governing body in the PASA model, this approach means that governing body appointments from SI clearing participants will go through the same nomination, evaluation and election process as applies to all governing body members.

# Member-elected board member process



## Option 2

### Board driven process \*

Focus on balanced skills and diversity in thinking

#### Identify suitable candidates from the constituency

- Nomination committee performs an assessment of the board needs to determine the skills, experience, expertise, diversity required for a balanced board
- Define Board requirements
- Define candidate criteria for role
- Identify suitable candidates from the member group
- Confirm candidate willingness to accept nomination

#### Assess candidates

- Nominations committee conducts due diligence, reviews nominations against criteria and accepts / rejects candidates depending on whether they meet minimum requirements
- Nominations committee may request additional information / interview in need
- Nomination committee recommends preferred list of candidates to Board
- Board recommends preferred list to the general meeting

#### General meeting

- Approves (elects) or declines proposed candidates via a normal majority (50%)

\*Process runs up to three times, depending on option selected on slide 'Board Composition'

\*Whereas SI clearing participants directly appoint employees to the governing body in the PASA model, this approach means that governing body appointments from SI clearing participants will go through the same nomination, evaluation and election process as applies to all governing body members.

# Member elected board members: Continuum of options



Hybrid process at continuum of options

Focus on balanced skills and diversity in thinking with member involvement

Member integrated  
process

Option 1



**Rationale:**

As a member-based organisation, some deviation from standard practice is acceptable. This model is therefore a compromise between the current PASA environment and the more traditional process.

Hybrid approach

Board driven process with additional controls such as:

1. 75% approval by General Meeting for appointment of board members recommended by the Board; OR
2. Focus on matters reserved for the general meeting to ensure member involvement

Board driven  
process

Option 2

\*Process runs up to three times, depending on option selected on slide 'Board Composition'

✓ Recommendation

# Board mandate





# Board Mandate and Powers

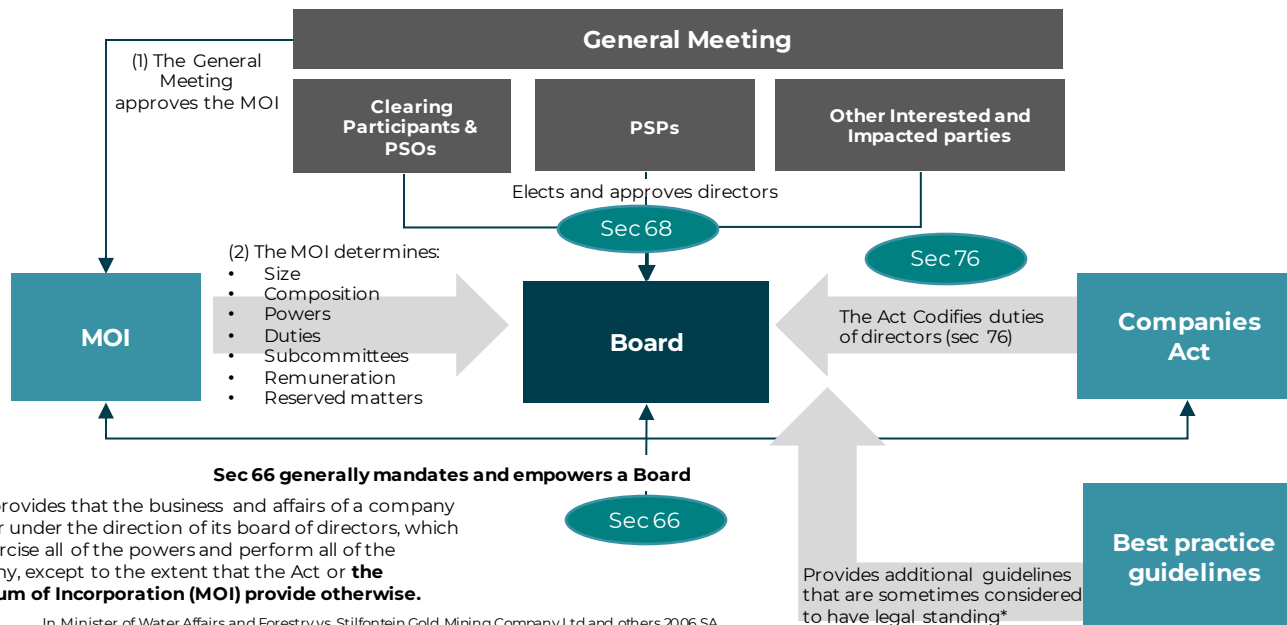
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## How does the board derive its mandate?

**The Memorandum of Incorporation of the company (or constitution of the voluntary association) defines the company's purpose and objectives, and further identifies reserved matters which do not fall within the mandate of the Board.**

In terms of **Section 68 of the Act** each director must be voted on by a separate resolution at a general meeting of the company. The company's Memorandum of Incorporation may prescribe a different process for the election of directors by the shareholders. However, it must still amount to an 'election'.

King IV prescribes a formal and transparent Board appointment process



As per steps (1) and (2), the General Meeting, made up of members, determines the member mandate to the Board. The Regulatory Recognition will come from the licensing of the PIB

It is proposed that a General Meeting approval is dependent on a majority being achieved in each of the member categories.

**Section 76:** Addresses the conduct and duties of directors by compelling them to act in good faith and in a manner they believe to be in the best interest of the company and with a degree of skill and diligence

**King IV (Principle 7):** Appropriate mix of skills, knowledge and experience; appropriate mix of executive, non-executive and independent directors



In Minister of Water Affairs and Forestry vs. Stilfontein Gold Mining Company Ltd and others 2006 SA 333(w) the court makes direct reference to the King Code that points to evidence that the King code has de facto become part of the duties of Directors\*

# PIB Conceptual Structure



# Proposed PIB Conceptual Structure Illustration

