



LEGAL UPDATE

Payments Revolution: what every PSP operating in South Africa needs to know right now

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South Africa's payment landscape is undergoing its most significant transformation in decades. From sweeping regulatory overhauls to new authorisation frameworks, the rules of the game are changing fast.

The South African Reserve Bank ("**SARB**") has embarked on an ambitious programme to modernise the national payment system, opening the door to non-bank players while simultaneously tightening governance and oversight. The Vision 2025 framework has given way to the Payments Ecosystem Modernisation ("**PEM**") Programme, and the SARB has recently published Vision 2030+ for consultation, all whilst a comprehensive new Authorisation Framework and Exemption Notice are poised to change the playing field for existing market participants and new market entrants.

1. The Current Landscape: Where We Stand Today

South Africa's national payment system ("**NPS**") has long been regarded as one of the most sophisticated on the African continent.¹ South Africa was an early mover in payment innovation, introducing one of the world's first interoperable ATM networks in 1985, launching real-

time clearing (“**RTC**”) in 2006, and pioneering authenticated debit orders with DebiCheck in 2018.²

The NPS is governed primarily by the National Payment System Act No 78 of 1998 (“**NPS Act**”), which grants the SARB broad powers to regulate, supervise and oversee payment, clearing and settlement systems.³ The Payment System Management Body (“**PSMB**”), currently represented by the Payments Association of South Africa, has played a central role in industry self-governance, establishing rules and standards for clearing and settlement.⁴

Traditionally, the NPS has operated on a 'concentric circles' model, often called 'the onion', with central bank settlement at the core and progressively broader layers of participation extending outward.⁵ Banks have historically dominated the inner layers, with non-banks restricted to the periphery, generally requiring bank sponsorship to access the clearing and settlement infrastructure.

But that model is being fundamentally reimaged.

The challenge? Despite strong technical infrastructure, digital payment adoption has lagged. Cash remains stubbornly prevalent – some 76% of social grant recipients withdraw their entire grant in cash every month, even though they have access to a debit card.⁶ South Africa finds itself stuck between a developed and developing economy: a minority population that is fully banked, and a larger population still reliant primarily on cash.⁷

2. Vision 2025: What Changed

Published in 2018, the SARB's Vision 2025 Framework set out an ambitious overarching goal: to enhance the safety, efficiency and accessibility of the NPS in a manner that promotes competition and minimises risk, while leveraging technological developments to extend digital payment services to all sectors of society.⁸

Vision 2025 introduced nine industry goals, spanning financial stability, competition and innovation, interoperability, cost-effectiveness, regional integration, and financial inclusion. It also articulated 26 broad strategies, which translated into over 100 action items.⁹

For PSPs, the key takeaways from Vision 2025 were –

- level playing field: The framework called for participants providing similar services to be subject to the same regulation, regardless of whether they are banks or non-banks. The principle of activity-based regulation—regulating the activity, not the entity—was firmly established.
- non-bank access: Vision 2025 foreshadowed appropriate frameworks for authorising non-banks to directly access payment systems—a significant shift from the bank-dominated model of the past.
- innovation and competition: The SARB signalled support for fintechs and non-bank payment providers entering the market, while maintaining focus on safety and stability. Innovation hubs and regulatory sandboxes were explored.

However, by 2023 it was clear that progress on several Vision 2025 goals had been slower than expected. Five of the nine goals remained partially realised or unmet, particularly those relating to digital payment inclusion, competition, cost-effectiveness and interoperability.¹⁰ The SARB concluded that a more interventionist approach was needed.

Enter the Payments Ecosystem Modernisation Programme.

The PEM Programme: A Strategic Shift

The PEM Programme represents a significant shift in the SARB's approach. Rather than relying on industry-led collaboration alone, the central bank has adopted an active leadership role in driving digital payments adoption.¹¹

At its heart is the concept of a National Payment Utility (“**NPU**”), a central, low-cost and interoperable infrastructure designed to drive the next generation of digital payments.¹² In November 2025, the SARB acquired a 50% stake in PayInc (formerly BankservAfrica), the national payment operator, and which forms the base for the payment utility.¹³

The PEM Programme is structured around seven key initiatives, supported by three foundational components being (i) digital identity (including e-signatures and Know Your Customer capabilities), (ii) digital payments (building on and enhancing PayShap, South Africa's domestic fast payment system), and (iii) data-sharing infrastructure.

The SARB's stated objective – widespread adoption of fast, simple, affordable and secure digital payments.¹⁴ The potential prize? A boost to South Africa's GDP by 0.5% from digital payments.¹⁵

3. Vision 2030+: What is on the Horizon

In February 2026, the SARB published a consultation paper on Vision 2030+, the next iteration of its medium- to long-term payment strategy.¹⁶ The paper invites stakeholder input on strategic goals and ecosystem trends that should shape the future NPS.

Vision 2030+ builds on Vision 2025 but adds an overarching goal of 'Inclusive growth and development'. The SARB frames this as safely accelerating the digitisation of the payments ecosystem to enable inclusive economic growth in South Africa and cooperative development across the African continent.¹⁷

The consultation paper identifies twelve long-term ecosystem trends that PSPs should be tracking, including –¹⁸

- the rise of wallets: digital wallets are becoming increasingly central to how individuals interact with the payments ecosystem. The SARB anticipates that 'smart' wallets will provide people with the vehicle for presenting identity, owning money and gaining access to markets;
- unbundled banking: payments are progressively being unbundled from traditional banking services, with growing synergy between retail payment services and digital platform services. Non-bank payment networks, particularly those affiliated with mobile operators, social media and e-commerce platforms, are fast gaining ground;
- federated networks: the traditional 'onion' model of concentric access may give way to a more federated network topology with multiple interoperable networks coordinated by central operators, rather than a single hierarchical structure;
- diversified money: stablecoins and central bank digital currencies ("**CBDcs**") are attracting significant attention. The SARB notes that stablecoin transfer volumes reached USD 27.6 trillion in 2024 – surpassing the combined volume of Visa and Mastercard transactions.
- shifting fraud risks: as systems become more resistant to external attacks, fraud is shifting towards 'authorised push payment' ("**APP**") scams, where users are manipulated into authorising payments themselves. The consultation paper notes that APP fraud is expected to become the dominant fraud risk.

The message for PSPs is clear – prepare for a more complex, more interconnected and more competitive ecosystem. Those who adapt early will be best positioned to thrive.

4. The New Authorisation Framework: Re-Categorising PSPs

Perhaps the most consequential development for PSPs is the Draft Directive on Payment Activities, published in November 2025.¹⁹ This new Authorisation Framework represents a fundamental restructuring of how payment activities will be regulated in South Africa.

The centrepiece is a move to activity-based regulation. The Directive specifies the requirements that banks or non-banks must observe to offer designated payment activities which is a significant departure from the current model, where non-banks are largely restricted to the periphery of the 'onion'.²⁰

The New Categories

The Directive organises payment activities into seven categories²¹ being –

Category 1: issuing of e-money and payment instruments. This category is for e-money issuers and payment instrument issuers (such as card issuers). E-money issuers are further divided into Tier 1 (large scale, above R5,000,000 average monthly transaction values) and Tier 2 (limited scale, below R5,000,000). Tier 1 issuers will face more stringent requirements, including higher minimum capital holdings (R8,000,000 versus R5,000,000 for Tier 2) and will be required to operate in interoperable systems;²²

Category 2: acquiring. Acquirers who contract with payees to accept and process payment instructions, will require authorisation from the SARB. The minimum capital requirement for Acquirers is R3,000,000 and at this stage, there is no subdivision into tiers;

Category 3: payment execution (clearing, settlement, payment initiation): This category covers clearing system participants, settlement system participants and payment initiation service providers. Non-banks seeking to clear transactions will be required to apply to the SARB for designation as a clearing system participant. Payment initiation service providers, being those service providers who initiate payment instructions on behalf of payers, require authorisation and will be required to meet a minimum capital requirement of R2,000,000;

Category 4: Third-party payment providers (“**TPPPs**”). TPPPs, being those participants who accept money from multiple payers on behalf of beneficiaries, are divided into Tier 1 (above R5,000,000 monthly) and Tier 2 (below R5,000,000 monthly). Minimum capital will range from R500,000 for Tier 2 to R2,000,000 for Tier 1;

Category 5: Schemes. Scheme managers, being those participants who manage payment schemes, will require authorisation and will be required to segregate scheme business from processing or clearing activities and avoid bundling scheme and processing fees;

Category 6: money remittance. Money remitters are divided into Tier 1 (above R5,000,000 monthly, interoperable systems will be required) and Tier 2 (below R5,000,000). In this category, transaction limits will apply – Tier 1 remitters will be limited to R5,000 per day and R50,000 per month per client; and Tier 2 remitters will be limited to R2,500 per day and R25,000 per month per client;²³ and

Category 7: payment accounts. The authority for transaction accounts will continue to vest in the Prudential Authority and National Credit Regulator, however, certain requirements of the Directive will apply where transaction accounts are used for payment transfers.

The Exemption Notice

The framework is accompanied by a Draft Exemption Notice, which carves out certain payment activities from the definition of 'the business of a bank' under the Banks Act No 94 of 1990, which permits non-banks to conduct exempted payment activities without a banking licence, provided that they obtain authorisation or registration from the SARB under the new Directive.²⁴

The SARB will develop and implement the authorisation, supervisory and oversight framework for the exempted payment activities, including the prudential requirements and safeguards for customer funds. Non-banks conducting exempted payment activities will be required to comply with the NPS Act, the PSMB's clearing rules and all applicable scheme and settlement requirements.

Importantly, the exemption is limited to **payment purposes** and credit activities will remain the 'business of a bank'.²⁵

What This Means in Practice

For existing PSPs, the Directive introduces the proposed transitional arrangements. Existing operators will need to reapply for a license to operate under the new framework within specified timeframes. The timelines range from three to six months from publication, depending on the designated payment activity. New market entrants will, however, be required to apply for a license from the publication date.²⁶

For smaller operators, sponsorship arrangements will remain available. A non-bank that fails to meet the criteria for direct participation in clearing or settlement may operate under a sponsorship arrangement with an authorised or designated payment institution, where the sponsor will bear full accountability to the regulators for clearing and settlement risks associated with the sponsored entity.²⁷

Closed-loop payment systems, being those system operating within a limited network without interoperability, will be required to register with the SARB. If transaction volumes and values fall below the prescribed thresholds, sponsorship arrangements will be available.

5. Cross-Border Payments: New Horizons

PSPs with cross-border operations or ambitions should be watching market developments relating to cross-border payments very closely. South Africa has been an early mover in regional payment integration, and it is evident that the SARB is positioning South Africa as a leader in African cross-border payments.

Regional Infrastructure

South Africa already operates key regional payment infrastructure. The SADC-RTGS (formerly SIRESS) provides high-value, real-time gross settlement for the Southern African Development Community (“**SADC**”).²⁸ Transactions Cleared on an Immediate Basis (“**TCIB**”) is a cross-border low-value payment scheme providing immediate clearing for retail transactions across SADC.²⁹

TCIB membership is currently primarily bank-based, but non-banks such as remittance operators can be sponsored into the system. Significantly, South Africa is in the process of amending legislation to allow non-banks to participate on an end-to-end basis. Plans are underway to reform TCIB to serve as a hub-and-spoke model, allowing domestic instant payment systems (including PayShap) to connect directly.³⁰

Cross-Border E-Commerce Framework

A new cross-border retail e-commerce regulatory framework has been developed by the SARB's Financial Surveillance Department for payment providers to partner with Authorised Dealers to process low-value, high-volume payments for cross-border e-commerce transactions by resident individuals up to R50,000 per transaction.³¹

Aggregators will be required to partner with an Authorised Dealer, who will remain responsible for ensuring compliance with South Africa's exchange control regulations. The framework will, however, require transparency, security and full fund-flow traceability from source to ultimate beneficiary, which creates a new pathway for fintechs to facilitate international retail payments.

Continental and Global Integration

At the continental level, the Pan-African Payment and Settlement System ("PAPSS"), supported by the African Union's African Continental Free Trade Area initiative, continues to develop.³² The BIS Project Nexus, a consortium of central banks building hub-to-hub instant payment infrastructure across national borders, offers a potential model for future development.³³

The Vision 2030+ consultation paper emphasises that domestic payments should be developed with consideration for regional and cross-border integration. The SARB recognises that geopolitical imperatives are likely to drive greater African continental cooperation, particularly given South Africa's G20 Presidency and its role in BRICS.³⁴

QR Code Interoperability

The PEM Programme introduces the QR+ Standard to address fragmentation in QR code payments. Currently, many businesses use multiple non-interoperable QR codes for different payment service providers, creating confusion for customers and merchants alike. The QR+ Standard will enable interoperability across different PSPs, payment rails and stores of value, through technical standards and rules.³⁵

6. What PSPs Should Be Doing Now

Given the speed at which the regulatory landscape is shifting, PSPs should –

- assess which of the seven categories of payment activity their businesses falls into under the new Directive and understand their tier classifications;
- evaluate the proposed minimum and ongoing capital requirements applicable to their category/ies;
- gather the required documentation such as corporate registration, governance arrangements, fit-and-proper declarations, risk management frameworks and financial statements so that when the Directive becomes effective, the application process is as seamless as possible. The Directive anticipates an effective date within three months of publication which means that current operators will have transitional windows ranging from three to six months, depending on their categorisation, to reapply for their licences to operate;
- consider sponsorship arrangements if direct participation in clearing and settlement is not viable, identify potential sponsoring payment institutions and understand the compliance obligations applicable to sponsors and sponsored entities;
- engage with Vision 2030+ by submitting their responses to the Vision 2030+ consultation paper by 31 March 2026; and
- build for the interoperability of systems and products because interoperability is a core principle under the Directive, including the ability to integrate with PayShap, the QR+ Standard and future infrastructure enhancements; and
- track ongoing developments in TCIB, PAPSS and the new e-commerce framework if cross border or international expansion is part of their business strategy.

Conclusion

South Africa's payment ecosystem is at an inflection point. The SARB has signalled its intention to take a more active role in driving digital payment adoption, opening access to non-bank players while raising the bar for authorisation, governance and oversight.

For PSPs, the message is clear: the opportunity has never been greater, but neither have the compliance expectations. Those who understand the new framework, meet the regulatory requirements and align their strategies with the SARB's vision will be well positioned to succeed in the payments revolution ahead.

Footnotes

1. Retail Payments Evolution: The Rise of Instant Payments, Bank for International Settlements and South African Reserve Bank, September 2025, page 20.

2. Positioning the South African Reserve Bank's Payments Ecosystem Modernisation Programme, SARB, 2025, page 10; Retail Payments Evolution, page 20.
3. Draft Directive for Payment Activities (Authorisation Framework), SARB, 14 November 2025, paragraph 1.1.
4. Retail Payments Evolution, page 21.
5. NPS 2030+ Consultation Paper, SARB, 24 February 2026, paragraph 17.2.
6. Retail Payments Evolution, page 25, Graph 4.
7. Retail Payments Evolution, page 22.
8. The National Payment System Framework and Strategy: Vision 2025, SARB, 2018, page 3.
9. NPS 2030+ Consultation Paper, paragraph 2.3.
10. PEM Position Paper, page 10.
11. PEM Position Paper, page 2.
12. PEM Position Paper, page 8.
13. Retail Payments Evolution, page 26.
14. PEM Position Paper, page 6.
15. PEM Position Paper, page 8; Retail Payments Evolution, page 24.
16. NPS 2030+ Consultation Paper, paragraph 1.1.
17. NPS 2030+ Consultation Paper, paragraph 5.5.
18. NPS 2030+ Consultation Paper, paragraphs 6.1-6.3 and sections 7-18.
19. Authorisation Framework, paragraph 1.5.
20. Authorisation Framework, paragraph 5.1.
21. Authorisation Framework, Annexure B.
22. Authorisation Framework, paragraphs 9.1-9.3 and Annexure D.
23. Authorisation Framework, Annexure G.
24. Draft Payment Activities Exemption Notice, SARB Prudential Authority, November 2025, paragraph 2.
25. Exemption Notice, paragraph 3(i).
26. Authorisation Framework, Annexure E.
27. Authorisation Framework, paragraph 8.
28. Retail Payments Evolution, page 26.
29. Retail Payments Evolution, page 27.
30. Retail Payments Evolution, page 27.
31. Draft Circular: Cross-border retail e-commerce regulatory framework, SARB Financial Surveillance Department, 2026.
32. NPS 2030+ Consultation Paper, paragraph 12.4.
33. NPS 2030+ Consultation Paper, paragraph 12.4; see also BIS, 'Project Nexus: Enabling instant cross-border payments', 27 August 2025.
34. NPS 2030+ Consultation Paper, paragraphs 12.3-12.6.
35. QR+ Standard documentation, SARB PEM Programme.



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