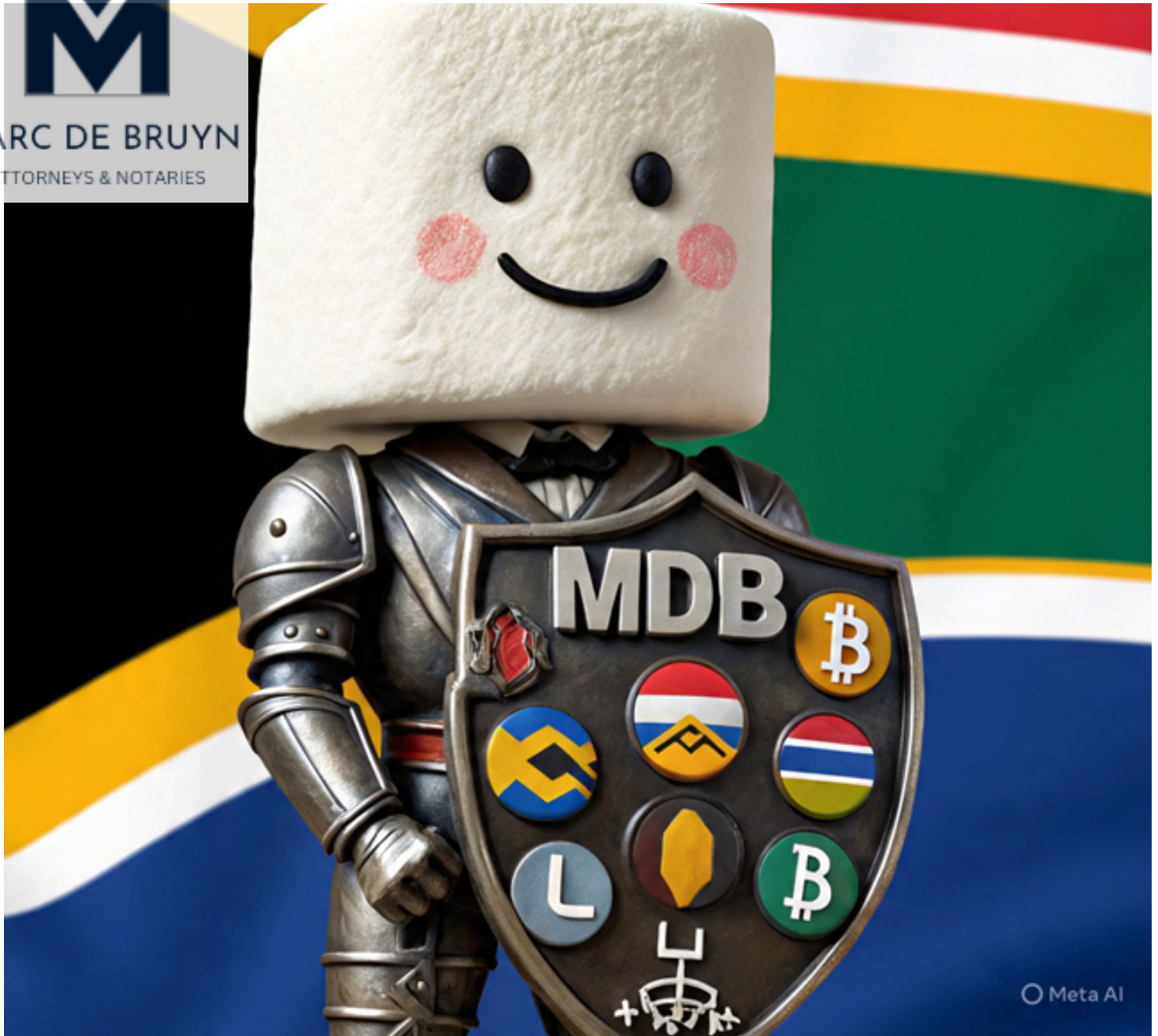




FROM LIMBO TO REDEMPTION: A FINTECH'S JOURNEY THROUGH THE PAYMENT INFERNO 🖐️

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July 30, 2025

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In South Africa, our national payment ecosystem comprises multiple layers of regulation. At its helm stands the **National Payment System (NPS) department** of the South African Reserve Bank (SARB), entrusted as the vigilant gatekeeper, guarding each tier with precision and principle. The deeper one ventures, the more complex and rigid the terrain becomes. Near the outer layers, innovation flows with relative ease. But the closer one approaches the sacred settlement space, where only the elect few banks reconcile their obligations with SARB, the stricter and more rigid the regulatory journey becomes. 🏰

In recent months, and in step with international developments, a handful of pioneering fintechs have, borrowing a well-worn adage, “*charged the Bastille*” pushing ever closer to the heart of South Africa’s payment infrastructure in pursuit of the elusive title of Acquirer. ✂️

What does this mean?

It signifies much more than a nameplate, it gives these “non-bank” participants the right to rub shoulders with their banking adepts and to lay claim to their own stake within the inner sanctum of the settlement space. More profoundly, it marks a deliberate policy shift toward **infrastructure autonomy** for merchant-facing fintechs. 🏆

Technically, the role may sound routine: an Acquirer contracts with merchants to accept card payments and connects directly to card schemes (Visa or Mastercard), as well as the national clearing system, to process those transactions.

🚀 For merchants, however, this represents a **major structural breakthrough** in that they are now engaging in clearing directly which enhances their commercial offering and materially benefits their merchant base. With their own clearing infrastructure now integrated into the national payment system, Acquirers can deliver transaction acceptance, routing and a novel user experience. 💰 In doing so, they are reshaping how merchants are interacting with financial rails that power their businesses as well as to gain a deeper understanding of their consumer engagements, moving them from passive onlookers to active players within South Africa’s payment ecosystem.

Why this absolutely matters for merchants ... 💡

🔄 **Better Conversion Rates:** Transactions are routed more optimally across card networks, reducing declines and improving payment success rates.

🚀 **Faster Access to New Features:** With reduced dependency on banks and third parties, acquirers like Stitch move faster, rolling out new products and payment methods autonomously.

📊 **Real-Time Reporting & Reconciliation:** Merchants gain granular insight into payment flows, fees, and settlement states with custom reporting and fewer reconciliation issues.

💰 **Cost Savings:** Streamlined messaging and single-provider efficiency mean lower transaction fees and reduced internal resources spent juggling fragmented payment relationships.

🧑‍🎨 **Branded UX Control:** Card acceptance becomes part of the merchant's customer experience, not a backend obligation, giving businesses tighter integration of payment touchpoints.

Regulatory Framework – What's Required to Become an Acquirer 🔑

Let us explore the legal and operational prerequisites for securing Acquirer status via a Designated Clearing System Participant (DCSP) licence. Under **Section 6(3)(a) of the National Payment System Act**, the South African Reserve Bank (SARB) may designate a non-bank entity as a DCSP.

This allows for direct participation in the clearing of payment instructions, provided the entity meets stringent operational, risk management, and governance standards.

Minimum Criteria for DCSP-Accredited Acquirer Licensing ⚖️

✓ **Legal Entity Status**

The applicant must be a registered South African legal entity with all relevant regulatory approvals, such as licensing from the FSCA or NCR where applicable.

✓ **Settlement Bank Sponsorship**

Non-bank applicants must secure sponsorship from a PASA-member settlement bank to gain access to settlement facilities and ensure ongoing regulatory oversight.

✓ **Operational Readiness**

Applicants must operate secure, PCI DSS-compliant infrastructure, and demonstrate robust capabilities in fraud prevention, dispute resolution and business continuity planning.

✓ **Payments Infrastructure**

The entity must be capable of delivering end-to-end card acquiring services, covering technical, compliance, financial and operational requirements for payment methods.

✓ **Compliance Framework**

A comprehensive, risk-based compliance framework must be in place including:

- AML/CFT protocols aligned with FICA;
- POPIA governance;
- Consumer protection policy;
- SLAs and Outsourcing Agreements;
- Governance measures: Board composition, internal audit and monitoring;
- RMCP tailored to card acquiring, merchant onboarding and merchant risks;
- Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) etc;

✓ **Financial Stability**

Applicants must demonstrate financial soundness, including sufficient liquidity to meet settlement obligations and sustain operational requirements over defined periods.

✓ **Scheme Participation (for Card Acquiring)**

Registration with one or more card schemes (Visa or Mastercard) is required, along with adherence to scheme-specific certification and operational standards.

Recent success stories to watch: ✨

👉 **#Stitch (*stitch.money*)** following the announcement of its acquisition of **#EfficacyPayments** in July 2025, is now one of South Africa's first fintechs to offer direct card clearing as a Designated Clearing System Participant (DCSP). This milestone positions Stitch as a **vertically integrated payments provider**, delivering end-to-end acquiring across gateway, switch and settlement for both in-store and online transactions.

👉 **#Paycorp** offers an alternative non-bank model via DCSP designation, providing further validation of the shift toward infrastructure autonomy for merchant-facing fintechs.

🏛️ At **MDBLaw**, we salute the bold strides taken by fintech innovators operating at the frontiers of South Africa's payment ecosystem. Navigating the delicate balance between innovation and a risk-based approach in the national payment ecosystem requires more than ambition, it demands a deep respect for the NPS and familiarity with policies, directives and regulatory values that have shaped and underpin the National Payment System post-1994.

If your business is exploring the Acquirer licensing route, DCSP accreditation or merchant-first strategies, MDBLaw is ready to partner with you, translating compliance into capacity.

#MDBLaw #Fintech #AcquirerLicence #DCSP #PaymentsInnovation #Stitch #Paycorp #MerchantExperience #SouthAfricaFintech #SARB #PASA #NPS #ADLAsack #ODPstack #clearingparticipant #Acquirer #TPPPlicence #Solicence #AcquirerLicense

