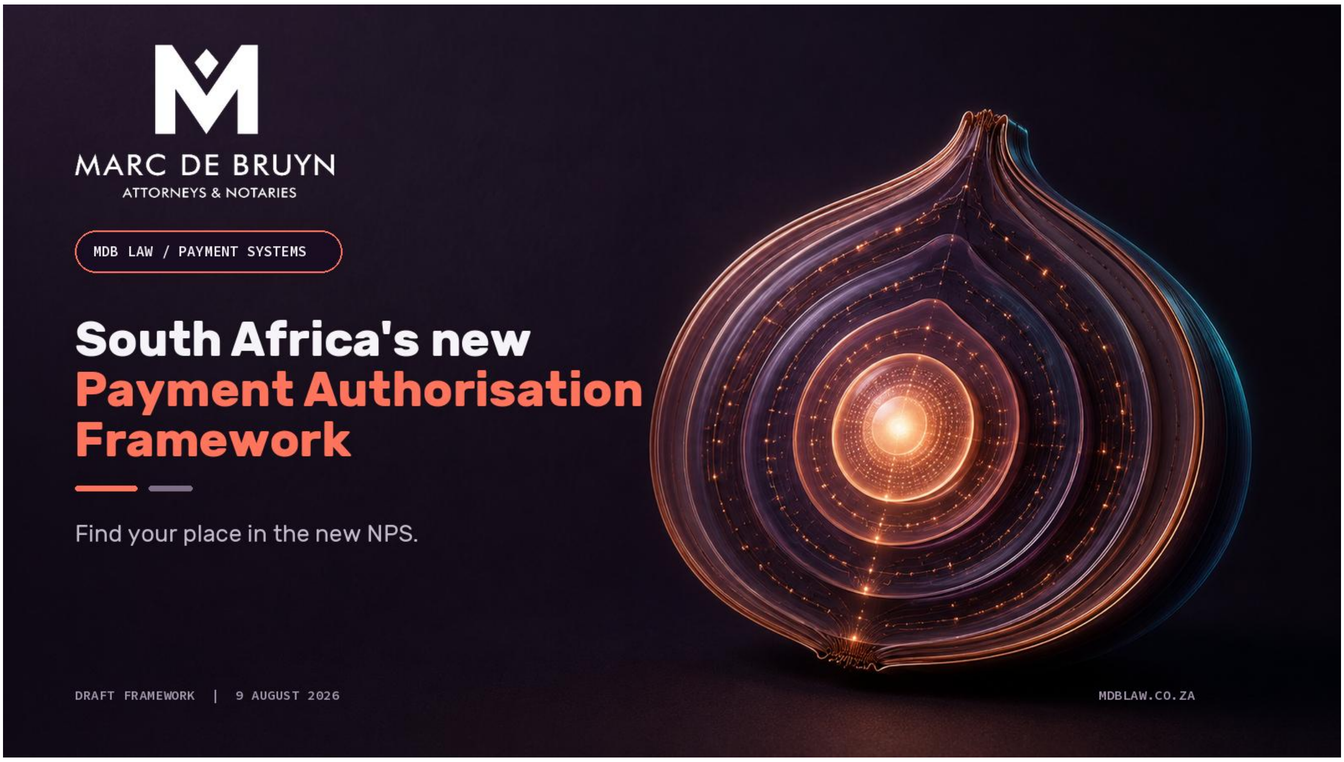

By Marc de Bruyn, Attorney | MDB Law | 9 August 2026

The practical question is no longer only who sponsors your payment business. It is which regulated activity you perform, how far into the national payment system you want to go and whether your operating model can support that position.

Your current label will not decide your future licence

If you operate a South African payment business, you may associate yourself with a familiar industry label: TPPP, System Operator, Gateway, Switch, Processor, Wallet, Acquirer, Collections Platform or Payroll Provider to name a few. Under the South African Reserve Bank's new framework, however, the decisive question is not *what you call yourself* but *what payment activity you actually perform*.

This is the shift to **activity-based regulation**.

> **MDB LAW TIP**
>
> Avoid loosely referring to these new "Authorisations" as *licenses*. The Reserve Bank does not grant licenses in payment systems. If you submit an application using this terminology, expect your marked-up paper to be returned with instructions to amend it comprehensively before resubmission.

> **MDB LAW NOTE**
>
> "Authorisation" means the Reserve Bank granting a payment institution permission to conduct a specific payment activity listed in Annexure B. It is not a license. It is a targeted regulatory approval tied to the precise activity you perform.

Why the whole payment chain is now relevant

The South African Reserve Bank's new framework brings the entire national payment chain into regulatory focus from the platforms and tools that initiate payments to the systems, institutions, agreements and procedures that move, clear and ultimately settle value.

The bargain: wider access in return for direct accountability

The policy objective is attractive.

The Framework seeks to promote competition, innovation and financial inclusion by enabling authorised non-banks to perform listed payment activities. A non-bank will therefore have a route to do more than it could under the older sponsorship-led model.

However, the pay-off is direct accountability.

The payment institution must hold capital, safeguard client funds, prove financial soundness, maintain fit-and-proper leadership, operate effective compliance and internal audit functions, control AML/CFT/CPF risk, secure its data and systems, manage outsourcing, report to SARB and remain ready for supervision.

> **MDB LAW NOTE**
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> Access becomes more open, but operating standards become more institutional.

> **MDB LAW TIP**
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> Find your place in the new NPS system. A business that considers itself "only technology" may still initiate payment instructions, operate a closed-loop store of value, acquire merchants, manage scheme rules or receive money that is due to someone else. Each of those facts may place it within a different Annexure B activity.

The Onion Ring Model, rebuilt for 2026

When revisiting Walter Volker's *Essential Guide to Payments*, I was struck again by his enduring metaphor of South Africa's National Payment System as an onion: settlement at its tightly controlled core, surrounded by clearing, payment services, third-party payment providers and, ultimately, users.

Volker's point remains highly relevant: regulatory intensity increases as one moves inward because the consequences of failure become more immediate and potentially systemic.

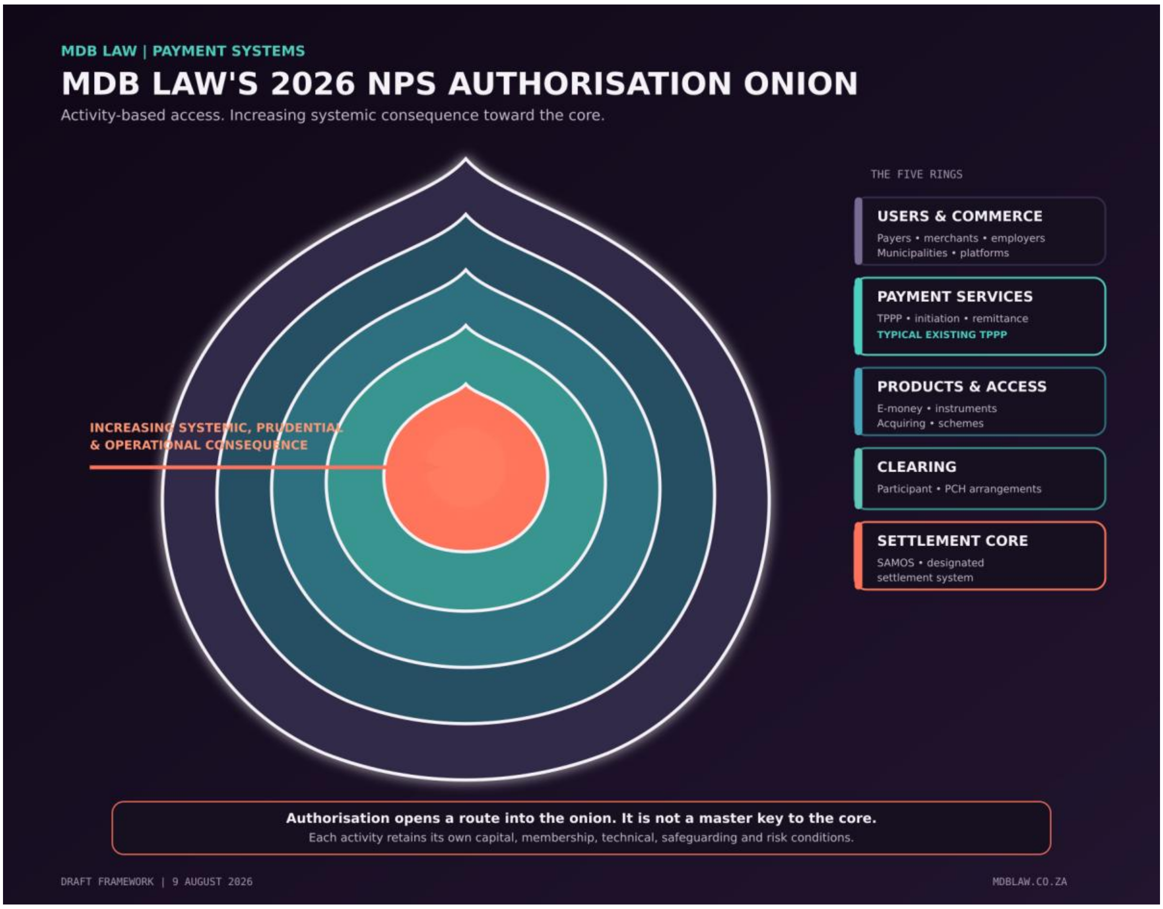

Figure 1. MDB Law's modernised NPS Onion Ring Model, adapted from Volker's five-layer model.

SARB's new Authorisation Framework gives Volker's metaphor fresh practical significance.

For example, a conventional TPPP already operates within the onion, in the third-party payment-services ring. Under the new Framework, it begins from the same functional position, although the legal basis for operating there will shift from the existing sponsorship and registration model to direct, activity-based authorisation by the Reserve Bank.

In theory, under the new Framework, providers are given a legal pathway to extend their model deeper into the payment-system onion. But this is not a simple license upgrade. The closer a provider moves towards the inner core, the greater its operational responsibility and potential systemic consequence of failure.

> **MDB LAW NOTE**
>
> Authorisation opens a route into the onion. It does not hand the provider a master key to the core.

What should an existing provider do now?

The best place to start is with a clear picture of what your business does today, what authorisation it will require and whether it intends to expand into other payment activities. That process can be kept practical:

1. **Map your payment activity.** Show the parties, products, accounts, payment instructions, movement of funds and exchange of data across your model. Clearly mark where funds are received, held, pooled, safeguarded and released.

2. **Classify your current model.** Match each service you provide to the relevant Annexure B activity. A group may perform more than one function. For example, TPPP and system-operator activities but those functions may need to remain operationally distinct.

3. **Choose your target position.** Decide whether you simply want to continue operating in your present part of the payment system or expand into activities such as acquiring, e-money, payment initiation, remittance, scheme operation, clearing or settlement.

4. **Calculate your prudential requirement.** Determine the capital and financial-resource requirements applicable to each proposed activity. Your funding should align with your forecasts, balance sheet, stress tests and board-approved capital plan.

5. **Conduct a gap assessment.** Test your business plan, governance, RMCP, risk framework, technology, cybersecurity, safeguarding, outsourcing, audit, complaints and reporting arrangements against the requirements applicable to your activities.

6. **Close the gaps.** Update the parts of your operating model that do not yet meet the new requirements. This may involve new controls, systems, registers, reconciliations, appointments or funding arrangements.

7. **Update your agreements.** Review your sponsor-bank, merchant, client, scheme, agent, technology, cloud, audit and operational agreements. They must properly address liability, safeguarding, access to data, regulatory cooperation, termination and business continuity.

8. **Build an evidence-based application.** Use one controlled application index. Every important statement should be supported by evidence—whether a contract, board approval, reconciliation, system report, test result, register, financial statement, role profile or operating procedure.

> **MDB LAW TIP**
>
> Find your place in the new NPS system. A business that considers itself “only technology” may still initiate payment instructions, operate a closed-loop store of value, acquire merchants, manage scheme rules or receive money that is due to someone else. Each of those facts may place it within a different Annexure B activity.

What changes for your TPPP clients?

Your clients do not automatically become payment institutions merely because they use your TPPP service. A municipality, merchant, employer or platform must be tested on its own facts. If it merely instructs and receives the service, it is ordinarily your client. If it also holds value, initiates payments for others, remits money, acquires merchants or operates a closed loop, it may have its own regulatory perimeter.

For ordinary TPPP clients, the visible changes will be richer onboarding, beneficial-owner and director verification, more detailed service terms, clearer data and audit rights, stricter funding and cut-off rules, traceable underlying payment records, incident cooperation and possible repricing. Client funds must be protected through the required formal beneficiary accounts and may not be used as working capital, credit or investment funding.

The commercial opportunity is stronger assurance. An authorised TPPP can offer clients a clearer regulatory status, more disciplined safeguarding, consistent onboarding, better audit evidence and a more resilient service.

MDB LAW TIP

Package these controls as client value, do not present them as grudge purchases.

Can you go deeper into the onion?

Yes. That is one of the Framework's most important opportunities.

A TPPP may remain a TPPP but an institution with a credible merchant proposition may consider acquiring; a wallet business may seek e-money authorisation; a checkout or bank-connect platform may consider payment initiation; an infrastructure provider may consider scheme management or in a much more demanding case, clearing.

Deeper does not always mean better. Clearing and settlement carry much greater operational, liquidity and systemic consequences. Direct access also requires membership, scheme or PCH participation, technical certification, settlement arrangements and compliance with entry and exit criteria.

MDB LAW TIP

The right strategy may be to move one ring inward while retaining sponsored settlement rather than building the entire stack.

Time and money: budget the operating licence, not the application form

SARB's draft does not publish a general application fee. The material cost lies in regulatory capital, remediation, systems, people, audit and ongoing assurance. SARB's own impact assessment recognises administrative, AML, capital, infrastructure, operational and human-capital costs.

Draft activity	Initial capital
Tier 1 e-money	R8 million
Tier 2 e-money	R5 million
Issuing a payment instrument	No initial minimum specified
Acquiring	R3 million
Clearing	R1 million
Settlement	R3 million
Payment initiation	R2 million
Tier 1 TPPP	R2 million
Tier 2 TPPP	R500 000
Scheme	No initial minimum specified
Tier 1 money remittance	R2 million
Tier 2 money remittance	R500 000

Where a provider applies for more than one activity, the draft says the initial capital is the highest applicable amount rather than the sum of every amount. That is helpful but it does not eliminate ongoing capital.

For Group A, ongoing capital is proposed at 2% of outstanding e-money liabilities over six months. For Groups B to F, subject to the draft's stated exclusions, it is generally 2% of average payment values calculated over six months, with no double counting. Ongoing capital may not fall below the initial minimum, must remain unencumbered and may be increased by SARB.

> **MDB LAW NOTE: TPPP CAPITAL EXAMPLE**
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> If a Tier 1 TPPP processes an average of R300 million per month and the final formula is applied to that average, 2% is R6 million. Its practical ongoing capital requirement would therefore be R6 million, not merely the R2 million initial Tier 1 floor. The final calculation methodology must be confirmed when the Directive is issued.
>
> The regulator's review period is not fixed in the draft and should not be confused with the transition deadline for submitting an application. A provider should plan to be application-ready before the clock starts not assume that six months is enough to invent governance, build a transaction-monitoring system and complete audit evidence.

Who regulates you if PASA falls away?

The practical answer is also layered.

SARB authorises and supervises the payment activity. The Prudential Authority remains relevant to the Banks Act and deposit-taking perimeter. The NCR remains relevant to credit accounts. The FIC and SARB will have AML roles, and POPIA, consumer, competition and sector-specific obligations continue. Scheme managers, PCH system operators and settlement system operators will continue to control technical and participation rules within their mandates.

Payment initiation creates a genuine open-access opportunity

Payment initiation deserves special attention. An authorised payment initiation service provider may, with the payer's informed consent, initiate a payment from an electronically accessible payment account. SARB says it need not have a direct contract with the payment account service provider.

This opportunity is again balanced by detailed duties.

Payment account service providers must communicate securely, support strong client authentication, provide timely payment-instruction information and avoid unfair preference. Payment initiation providers must identify themselves, limit data requests to what is necessary, protect credentials, maintain consent and transaction evidence, manage liability and fraud, and preserve records for at least five years.

For banks, wallet providers and other payment account service providers, this means the framework is not only about their own license. It is also about the interface, authentication and liability architecture through which authorised initiators gain access.

Settlement operators and the core remain different

SARB excludes ordinary system operators and PCH system operators from this particular authorisation framework because they are addressed under separate frameworks. It separately regulates participation in settlement and the operation of the Reserve Bank settlement system.

The transition clock

The May 2026 draft proposes that the Directive becomes effective within three months after publication. The transition periods then differ by activity. Existing providers may continue during the applicable transition period if they comply with existing conditions and the prescribed transitional requirements.

Activity	Proposed transition
Issuing / acquiring	Apply from the effective date
Clearing and settlement participants	Apply within three months after the effective date
Payment initiation	Apply from the effective date; current providers continue under Directive 2 of 2024 until transition
Existing and new TPPPs	Current sponsorship continues; reapply/apply within six months after the effective date
Schemes	Current schemes apply from the effective date; new schemes apply before operation
Domestic money remittance	New providers: six months; specified existing AD/ADLA-linked providers: four months
Closed-loop systems	New and existing systems register six months after the effective date
Existing agent exclusivity	Compliance plan within 90 days; agreements may continue for no more than three years

MDB LAW TIP: BEST USE OF THE DRAFT PERIOD

Freeze the legal interpretation early, complete the activity map, quantify capital, identify appointments and start remediation now. Use the final publication to update the application, not to begin it.

What the new system offers

For well-prepared providers, the Framework offers much more than a new compliance burden. It can create a recognised regulatory identity directly with SARB, reduce dependence on sponsor-led permission, support e-money and domestic remittance by non-banks, open payment initiation, provide a route toward acquiring or clearing, and allow multiple activities in one application.

It also creates a more credible platform for institutional clients. A provider that can demonstrate safeguarding, governance, risk control, resilience and auditability should be better positioned to win mandates from banks, large merchants, corporates, municipalities and platforms that cannot tolerate opaque payment chains.

The dividing line will be execution. The strongest applicants will not be those with the longest policies. They will be those that can trace one payment from client mandate to final beneficiary and show, at every point, who is accountable, which system creates the record, how the risk is controlled and where the money is protected.

MDB Law takeaway

The new question is not: "**How do I keep my existing TPPP or payment registration?**"

The better question is: "**Which authorised position do I want in the new NPS and what evidence will prove that my business is safe enough to occupy it?**"

Start with the onion. Mark where you are today. Decide whether going deeper creates real strategic value. Then build the business, controls and application as one operating system.

Sources and legal note

- SARB/PA: Prudential Communication 10 of 2026 and Draft Authorisation Framework (May 2026)
- PA: Statement of need and impact assessment (May 2026)
- SARB: Rules and Scheme Management
- SARB: Payments Ecosystem Modernisation Programme
- Walter V Volker: Essential Guide to Payments 2, pp 277–278

This article is general information based on draft instruments available on 9 August 2026. It is not legal advice for a particular payment model. Classification depends on the facts, contracts and funds flow, and the final instruments may change.