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SADC CROSS-BORDER ELECTRONIC PAYMENTS

A vision comes true

First mooted 14 years ago, a single-currency, cross-border electronic payments system serving the Southern African Development Community's (SADC) 15 member states is fast becoming a reality.

Paving the way, the rand-based SADC Integrated Regional Electronic Settlement System (Siress) has passed its first test with flying colours.

"Siress went live in the CMA [rand common monetary area] in July and is now processing transactions worth R10bn a day," says Brad Gillis, CEO of regulated products at Bankserv-Africa, Africa's largest automated clearing house.

Initially limited to high-value cross-border transactions in the CMA (SA, Namibia, Swaziland and Lesotho), credit payments will follow in July 2014 and debits in June 2015, he says.

"As a proof of concept the CMA project is a big success," says Vicky Ganesh, head of Standard Bank enterprise payments services. So much so that Mauritius, which had abstained from the SADC initiative, has now opted to join, he says.

Gillis says SADC countries adopting Siress will be able to achieve cost benefits through SA's large, world-class electronic payments system. "With the exception of SA, electronic payment systems in SADC countries are very small-scale."

Small scale, he continues, results in two key obstacles to cross-border trade and the movement of people: inefficiencies and high transaction costs. SA, says Gillis, accounts for about 90% of all electronic payments in the SADC region.

Siress, which is regulated by the SADC committee of central bank governors, will soon be adopted by four countries outside the CMA, says Gillis.

For banks the use of Siress for cross-border payments is optional. "There are about 100 banks in the region and among the big banks there is enough appetite to make it work," says Gillis. "Banks that do not opt to use Siress will lose out."

Ganesh believes the optional element for banks will fall away. "It will become a regulatory compliance issue within the next 18-24 months," he says. "Central banks will make it compulsory for all banks involved in payments across borders to be on the Siress platform."

The SADC cross-border electronic payments initiative has

parallels in country groupings in West, East and Central Africa, says Ganesh. The initiatives, he explains, are aligned to the African Union's (AU) goal of achieving an economic and monetary union across its 54 member states by 2028.

The AU is calling for a single African currency and central bank, goals which Ganesh says are unrealistic. SA banks, he says, are pressing authorities to change this "gung-ho" thinking.

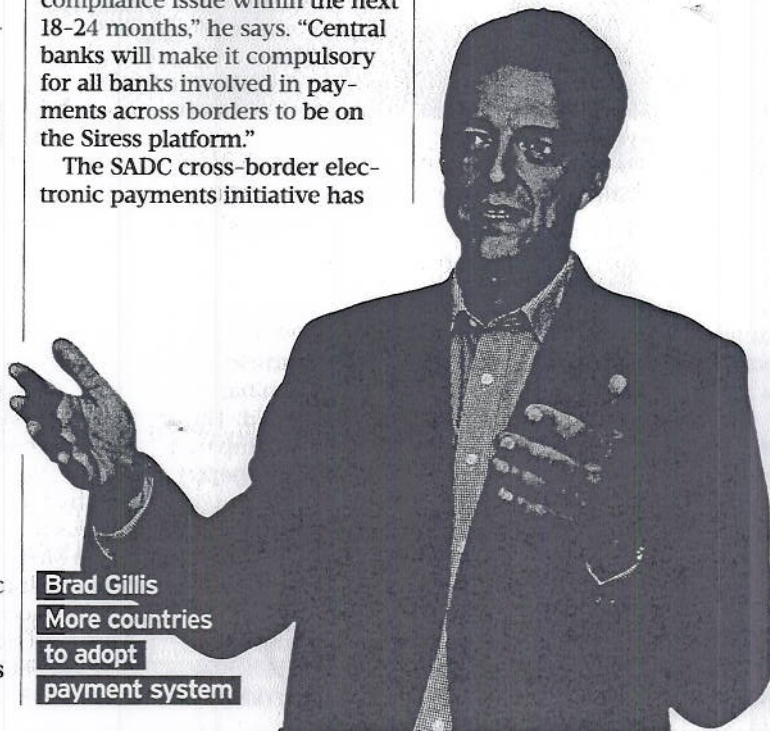
A more realistic goal is a linking of cross-border payment platforms in the four African regional monetary groupings by 2028, says Ganesh. "What banks want is interoperability between payment systems and their strong regulation."

Stafford Thomas
thomass@fm.co.za

WHAT IT MEANS

CROSS-BORDER PAYMENTS WILL BE SEAMLESS

LOWER COSTS WILL BENEFIT CROSS-BORDER TRADE IN THE SADC REGION



Brad Gillis
More countries
to adopt
payment system

Russell Roberts