

# Insights from the IFWG's Regulatory Guidance Unit

Report prepared by the  
Intergovernmental Fintech Working  
Group (IFWG)

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[www.ifwg.co.za](http://www.ifwg.co.za)

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# Introduction to the Intergovernmental Fintech Working Group

The Intergovernmental Fintech Working Group (IFWG) is a collaborative body focused on advancing financial technology (fintech) in South Africa.

Established to foster innovation and ensure effective regulatory oversight, the IFWG launched its Innovation Hub in April 2020. This hub comprises three key facilitators: the Innovation Accelerator, the Regulatory Sandbox, and the Regulatory Guidance Unit. Each plays a crucial role in supporting fintech development.

The Innovation Accelerator provides a platform for collaborative and exploratory initiatives, allowing regulators and industry participants to learn collectively and enable regulators to make informed policy and regulatory decisions.

The Regulatory Sandbox offers a controlled environment where innovative products and services can be tested against existing regulations within predefined parameters and timeframes. This helps identify potential regulatory challenges and solutions in a safe and structured manner.

The Regulatory Guidance Unit serves as a single point of contact for innovators seeking guidance on regulatory requirements before taking their products and services to market.

The following governmental bodies participate in the working group and its Innovation Hub: the Competition Commission, the Financial Intelligence Centre, the Financial Sector Conduct Authority, the National Creditor Regulator, the National Treasury, the Prudential Authority, the South African Reserve Bank and the South African Revenue Service.

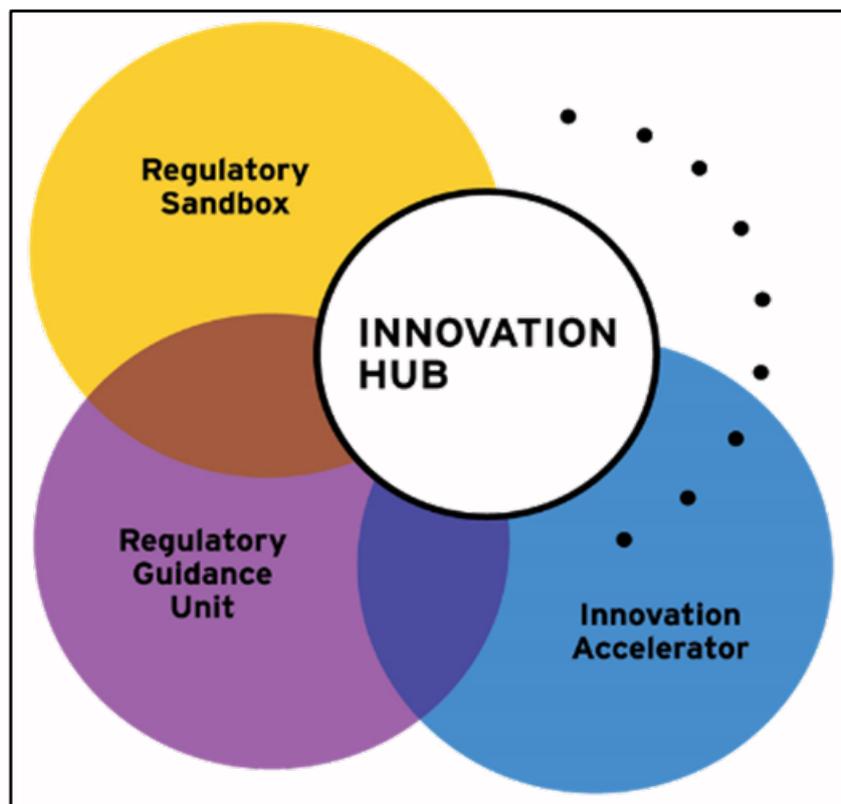


Figure 1: IFWG Innovation Hub

## Objective of the report

This report focuses on the Regulatory Guidance Unit with the objective of highlighting the work that the unit has accomplished and the insights it has gained since its launch five years ago.

By providing informal, non-binding regulatory perspectives, the Regulatory Guidance Unit helps innovators understand and comply with regulatory requirements, thereby facilitating smoother market entry and innovation. Since its inception, the unit has received 230 queries. This reflects its pivotal role in helping market innovators navigate the complex regulatory landscape.

The proactive approach of the Regulatory Guidance Unit includes collecting and analysing query data, developing a database of frequently asked questions, and sharing learnings with other facilitators within the Innovation Hub. These efforts ensure that the guidance provided by the unit is meaningful, comprehensive, and accessible.

By offering a comprehensive account of its activities, challenges and improvements, the report aims to create awareness of the Regulatory Guidance Unit and enhance transparency among stakeholders. This approach serves to not only highlights the unit's contributions, but also emphasises the critical role of regulatory guidance in supporting the growth and development of fintech innovation in South Africa.

## What is the Regulatory Guidance Unit?

The Regulatory Guidance Unit is the unit within the IFWG Innovation Hub that helps market innovators navigate the South African financial services regulatory landscape. Furthermore, the unit assists with 'innovation unusual' queries, for example in instances where the use of technology gives rise to novel products, service and/or processes that were not envisioned and not addressed by existing regulatory frameworks and legislation. The Regulatory Guidance Unit endeavours to obtain and consolidate informal and non-binding regulatory perspectives into comprehensive, easy-to-understand responses.

### Key activities of the Regulatory Guidance Unit

The unit functions as a central point of entry, thus eliminating the need for innovators to engage with multiple regulators and facilitating access to the regulators represented in the IFWG. The key activities of the Regulatory Guidance Unit are outlined in Figure 2 and further explained in the subsequent bullets.

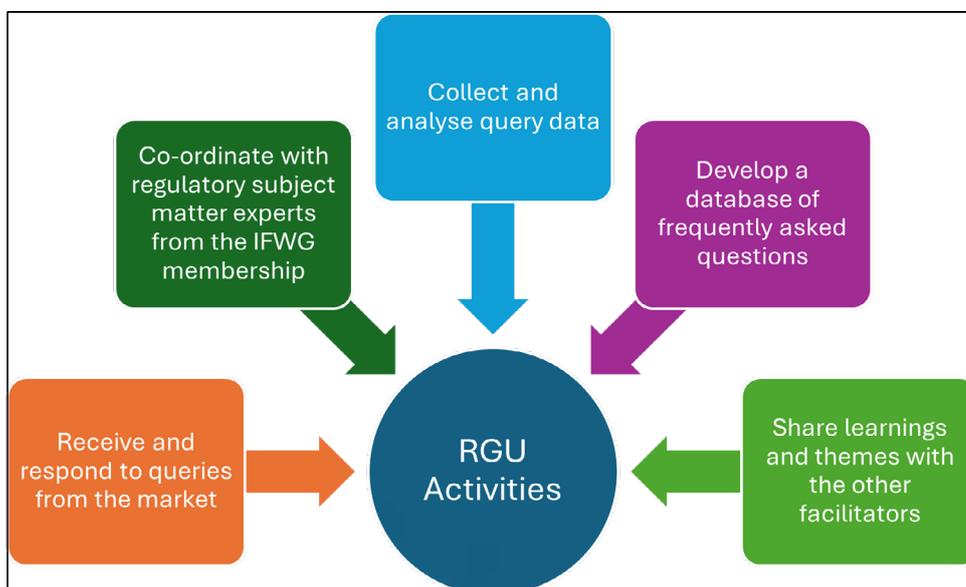


Figure 2: Key activities of the Regulatory Guidance Unit

- The RGU receives and responds to questions/queries from market innovators submitted via the IFWG website. Through coordination with the First Responder Network (FRN), from across the IFWG membership, the RGU develops comprehensive responses to complex enquiries.
- The RGU proactively focuses on improving the effectiveness and efficiency of providing non-binding regulatory guidance. This can take the form of written responses or sessions between the enquirer and the FRN, ensuring as much clarity as possible.
- The RGU collects data on enquiry types and builds a database of frequently asked questions to develop standard responses to frequently asked questions (FAQs), which are published on the IFWG website, and reviewed and updated periodically.
- The RGU analyses data and shares learnings on key themes emerging from its market engagements and query database with the Innovation Hub's Innovation Accelerator for further market research and policy development.
- The RGU guides innovators with proposed fintech innovations that challenge regulatory frameworks and policies to the Regulatory Sandbox for consideration.
- The RGU updates the regulatory guidance based on findings and decisions from the Regulatory Sandbox and Innovation Accelerator.

### Scope of mandate of the Regulatory Guidance Unit

To summarise, the RGU can be viewed as a 'sounding board' for innovators wanting to better understand regulatory requirements related to the use of technology in financial services.

- The RGU provides informal, non-binding steers.
- The steers provided do not constitute legal advice and innovators are encouraged to seek independent legal counsel.
- The RGU should not be used to follow up on existing applications and regulatory processes or to circumvent formal regulatory structures.
- The informal steer provided by the RGU should not be interpreted as approval or endorsement of proposed financial products or services by the regulators and enquirers are advised to not purport it as such when engaging with other regulated entities or entering commercial arrangements.

The RGU does not advise on business models or share the inner workings of similar commercial models already in the market.

### Confidentiality of information

The RGU treats all information shared by enquirers as confidential. None of the information provided is shared beyond the relevant regulatory authorities and all information shared is specifically used to provide the enquirer with guidance according to the [IFWG's Privacy Policy](#).

# Evolution of the Regulatory Guidance Unit

Since its launch in 2020, the Regulatory Guidance Unit has continued to proactively improve its service offering. This includes enhancing functionality, accessibility and internal process improvements. Some key initiatives are described below:

## Effectiveness of the guidance provided

Central to the successful execution of the unit's value proposition is that the guidance provided is meaningful and helpful to enquirers. To better measure and improve on these metrics, the RGU initiated a proactive feedback mechanism. This entails having informal structured conversations with enquirers at least six months after they have been given a response.

The conversation is meant to elicit honest and open discussion on the RGU process (e.g. website functionality and usability and correspondence between the facilitator and enquirer) and the response received (i.e. was the response easy to understand, did it answer the question, did it assist with progressing/developing the idea, product and/or service and how?), where relevant and appropriate, the feedback received is onboarded and processes amended based thereon.

## Website functionality

Feedback received has also led to a review and improvement of the RGU webpage. The improvement included a review of the list of FAQs to ensure relevance and accessibility (i.e. easy to understand FAQs) and changing the layout of the webpage to make it easier for enquirers to find relevant information.

The RGU is also looking to update the enquiry form to enable better information and data for the FRN and data analysis to enable the IFWG to continue to enhance the functioning of the unit.

## Challenges

The Regulatory Guidance Unit is focused on 'innovation unusual' queries and aims to support innovators trying to navigate the regulatory landscape in South Africa.

As many enquirers are start-ups or new market entrants who may not be familiar with the financial services regulatory landscape, in some instances there may be a need for repeated engagement to allow both the enquirer to gain a better understanding of the regulatory landscape and the FRN to better understand the business models in order to provide appropriate guidance.

Co-ordinating perspectives and steers across the IFWG membership for consolidation into an easy-to-read and understandable response is a complex endeavour. This is exacerbated when dealing with queries that are novel, complex and/or have many regulatory touch points, which can result in can prolong the consolidation of a response.

## Data insights

Between January 2020, when it was launched, and 31 October 2024, the Regulatory Guidance Unit received more than 230 queries since inception. To gain deeper insights into the nature of queries and assess the overall functioning of the RGU, the unit analysed a sample of the queries received between April 2020 and December 2022. A total of 169 queries were analysed.

The data gathered by the RGU should not be interpreted as a representation of fintech developments or the focus of innovators in the South African market. Rather, the insights shared here provide a perspective into the nature and type of innovations the financial sector is engaged in and the associated regulatory areas that the market requires guidance on.

By analysing the data, the RGU was able to comprehensively interrogate the fintech themes and trends of interest to innovators. This informed the revision of the unit's FAQs list to allow for more up-to-date information that is pertinent to the evolving fintech landscape.

### The enquiries

The number of queries received by the RGU varies from quarter to quarter with an average of 14 enquiries per quarter for the period January 2020 to December 2022.

The performance areas for the RGU facilitator include ensuring: (1) the continued effective functioning of the FRN (2) consistent quality, accessibility and comprehensiveness of responses; and (3) all queries receive a response within the service level agreement (SLA).

The RGU service level agreement varies between five and 20 business days depending on the questions posed and the query complexity. Unclear and complex queries may require more back and forth with the enquirer and FRN in the form of requests for additional information, meetings and fostering a shared and consistent understanding across the FRN.

Timelines can also vary depending on the number of regulatory agencies that are required to provide a comprehensive response. All these challenges may lead to RGU responses falling outside of the agreed timeframe.

Figure 3 illustrates the percentage of queries responded to within agreed timeframes, across financial service activities. To date, the RGU maintains a 100% response rate, i.e. every query gets a response.

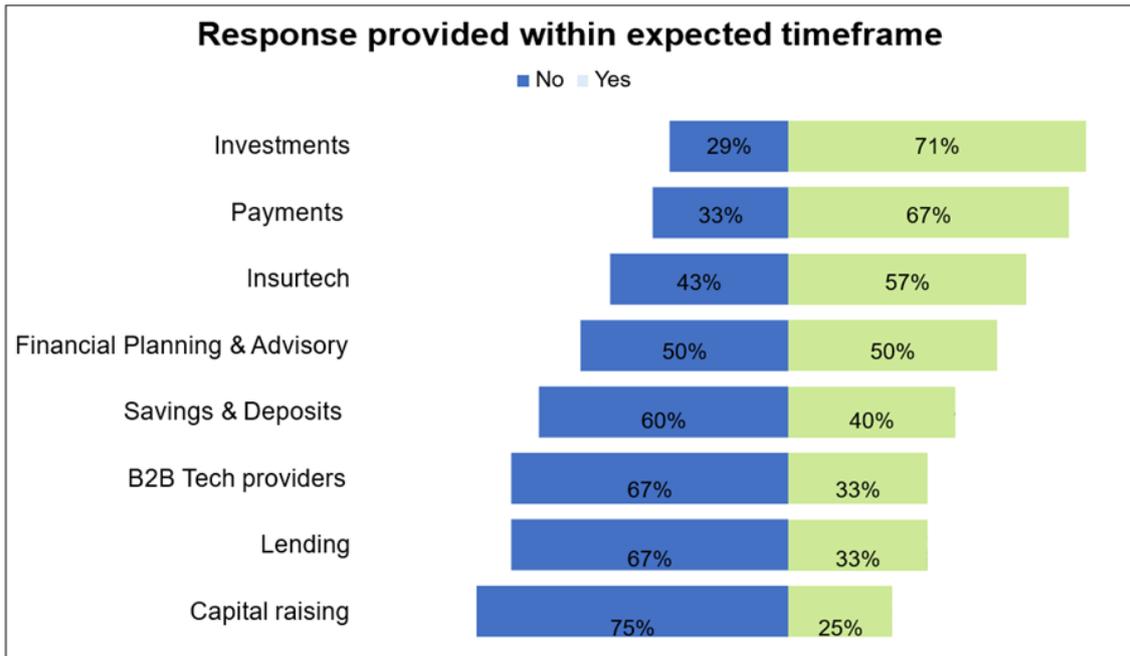


Figure 3: Responses provided within the timeframe

### Who uses the Regulatory Guidance Unit?

The RGU is predominantly used by start-ups or individuals that have business ideas, but are not yet operational, as seen in Figure 4.

The number of queries received from the regulated sector is limited and can be attributed to their familiarity with the prevailing regulatory environment and their having established legal and regulatory departments.

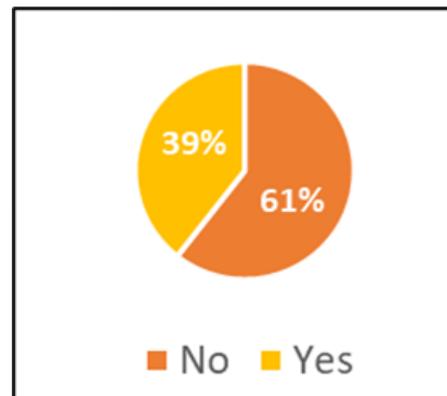


Figure 4: Is the idea operational

Conversely, it could also indicate that start-ups require more support in interpreting and understanding the financial services regulatory landscape in South Africa. The RGU service offering is directly accessible by any entity or individual who has questions related to the regulatory frameworks as it pertains to their use of technology in the financial sector and the resulting changes to financial products, services and/or processes.

The RGU, however, does not comment or advise on the viability or desirability of models, products and/or services detailed in queries and notwithstanding the RGU’s steer or informal guidance, enquirers are encouraged to seek out independent legal advice.

## Queries predominantly relate to existing regulatory frameworks

'Regulatory fit' is used to describe instances where the questions posed can be answered using existing regulatory frameworks and/or policy direction that have been determined by the regulatory authorities. These queries have resulted in a list of FAQs that have been compiled by the RGU and is periodically updated, where necessary.

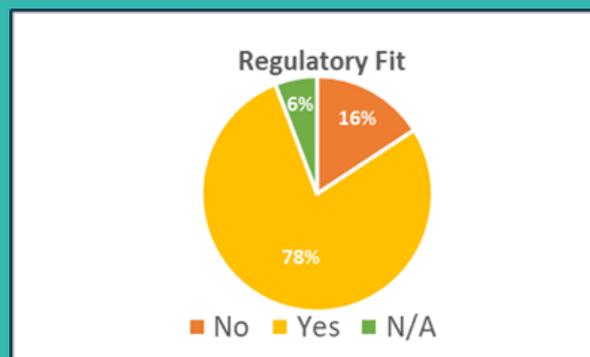


Figure 5: Regulatory fit

However, over time, as the regulatory framework is expanded, adjusted, amended or new frameworks emerge, a growing number of queries are considered under existing frameworks. In this regard, 78% of queries can and have been addressed under existing regulations, as seen in Figure 5. Conversely, only 16% of the queries that formed part of the analysis could not be addressed in terms of existing regulatory frameworks.

Where regulatory frameworks are not appropriate or do not apply based on the innovation, enquirers are guided to apply to the Regulatory Sandbox where they can assess the regulatory implications of such solutions in a controlled environment.

### Primary segment: payments

For the period reviewed, the Regulatory Guidance Unit received the most enquiries from innovators pursuing payment use cases. The 'Payments' activity segment includes both domestic and international

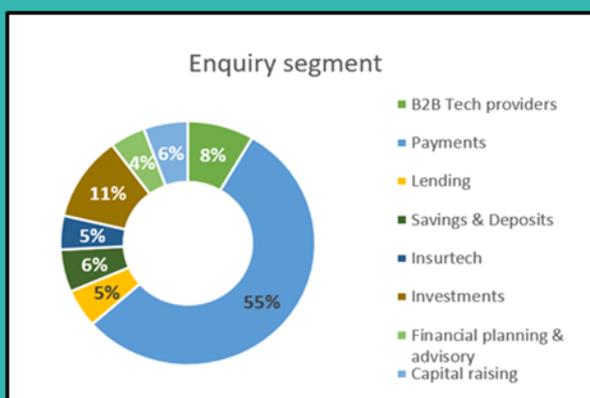


Figure 6: Enquiry segment

payments and accounts for 55% of the total enquiries received, as illustrated in Figure 6. This is consistent with the payments segment being the largest sector in South Africa's fintech landscape<sup>1</sup>.

For purposes of this classification and sub-classification by the IFWG, the focus is on the underlying function and has no bearing on the legal classification of the product or service.

The payments segment is divided into sub-categories, which continue to evolve, and include:

- **Crypto assets** - a substantial number of enquirers seek guidance related to the regulatory treatment of crypto assets. Queries relate to the regulatory framework applicable to regulated entities and start-ups who want to pursue business models in the crypto asset ecosystem.
- **Opportunities for crypto asset arbitrage** remain an area of interest for many individuals and companies. Queries predominantly centre on what is allowed under the current regulatory frameworks and requirements for undertaking arbitrage activities.
- **Closely coupled with crypto assets** are questions on the policy stance and regulatory provisions related to tokenisation of both traditional assets and by bank and non-bank actors. Enquirers are concerned with ensuring compliance while innovating in the evolving fintech landscape.

<sup>1</sup> Fintech landscape as highlighted in the 2019 report on Fintech scoping in south Africa

- Domestic payments - innovators in South Africa continue to approach the RGU on matters related to the regulatory frameworks that underpin mobile-money solutions. Since its launch in 2023, participation in new payment schemes like PayShap has also garnered several queries.
- Equally topical in the RGU data set are queries related to payment aggregators who wish to facilitate cross-border payments for international e-commerce platforms.

The RGU has addressed the above trends by developing a list of FAQs accessible on the IFWG website, while cross-border payment aggregators use cases are currently being tested in the IFWG Regulatory Sandbox and tokenisation is being explored by the IFWG in the Innovation Accelerator.

## Conclusion

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As innovators continue to use technology in financial services, clarity and interpretation of the regulatory frameworks and legislation is crucial to creating sustainable business models, products and services that solve real world problems.

The IFWG Regulatory Guidance Unit represents a first port of call for innovators looking to enter and navigate the South African financial services regulatory landscape. The unit endeavours to offer easily understood and clear guidance to innovators covering the full IFWG membership, making it a more efficient way to access multiple regulators at once – this results in more comprehensive responses to specific questions.

A review of a sample of those queries suggests that the RGU is providing a valuable service to existing and prospective innovators in the South African financial ecosystem. Analysis of the data has highlighted areas where improvement is required to better serve innovators, which remains the unit's priority.

The RGU continues to be open to any innovators that seek regulatory clarity and we encourage innovators to submit their queries through the IFWG website accessible [here](#).



**IFWG**