

# Cross-border payment aggregation

## Test case

Participants	Participants' core business	What was in the sandbox?	Testing Status
Ozow Proprietary Limited (Ozow)	Ozow is an account-to-account payment services provider for domestic transfers within South Africa, and an authorised Third-Party Payment Provider	Linking and reporting multiple consumer retail transactions with a single cross-border payment to the South African Reserve Bank: Financial Surveillance Department and testing compliance with exchange control requirements.  Limitations on testing included an expected monthly transaction value for the international merchant, as well as an expected average transaction value of R1 500 by a restricted number of South African consumers who will be allowed to perform online payments to the international merchant by paying directly from their domestic bank accounts, via the local electronic funds transfer (EFT) rails.	Testing was successfully completed in October 2024
Secure FX Trade Proprietary Limited (Secure FX)	Secure FX is a regulated and registered boutique Treasury Advisor assisting clients with navigating exchange control regulations and facilitating cross-border payments through an Authorised Dealer	The Authorised Dealer, Access Bank SA, monitored and reported the cross-border payments. The purpose of testing was to	
Access Bank (South Africa) Limited (Access Bank SA)	Access Bank SA is a registered commercial bank and Authorised Dealer in foreign exchange	inform considerations surrounding whether regulators could enable such payment aggregation for low-value payments to international merchants using local EFT credit transactions.	

## Insights gained during RSB

In terms of current exchange control regulations, several requirements apply to transactions involving foreign exchange. These include that all cross-border transactions must be reported to the South African Reserve Bank's Financial Surveillance Department (FinSurv) by an Authorised Dealer. This balance of payments

(BoP) reporting requires information such as the details of the local sender (payer) and foreign beneficiary (international merchant), as well as the value and reason for the transaction. The current exchange control regulations require that each transaction, for example between an individual and a foreign merchant in an international e-commerce transaction, must be validated, verified and reported individually by an Authorised Dealer. These transactions cannot be “bulked” in South Africa and remitted offshore (as a single payment) to an international merchant.

Given the growth of the South African e-commerce market with global platforms and online merchants expanding their reach, the participants tested a solution within the RSB to:

- enable the bulking of low-value electronic funds transfer credit (EFT Cr) payments from local bank accounts to international merchants via a segregated resident ZAR account in the name of Ozow, held at Access Bank SA;
- ensure compliance with BoP reporting requirements, provide the required information regarding each underlying transaction to FinSurv and ensure that the single, bulked offshore payment corresponded to the individual transactions;
- maintain compliance with Anti-Money Laundering /Combating Terrorism Financing/ Combating Proliferation Financing requirements.

For the purposes of testing, Secure FX, rather than Access Bank SA, validated and verified the individual transaction and customer data collected by Ozow. Secure FX then translated such data into the required BoP reporting format, before submitting to Access Bank SA, which completed the BoP reporting to FinSurv.

Among the key processes earmarked for testing was the accuracy and effectiveness of a party other than an Authorised Dealer, in this instance Secure FX, verifying the underlying transaction and customer information, and compliance with the BoP reporting requirements on the FinSurv Reporting System.

Testing demonstrated that it is technically and operationally possible to bulk payments locally and transmit a single sum offshore to an international e-merchant/platform, while reporting the legislatively required information for each underlying transaction to FinSurv. Given the success of testing, there is a need to consider whether the existing regulatory framework remains appropriate for the current landscape.

Testing provided greater insight to FinSurv regarding factors to be taken into account when assessing the need for regulatory intervention. Additionally, it also provided insight into the issue of payment aggregation more broadly, as well as the roles of other regulators, including the South African Reserve Bank’s National Payment System Department and the Financial Intelligence Centre. Some considerations for regulators are:

- ensuring that appropriate exchange control regulations adequately mitigate risks without unduly hindering innovation and foreign investment into South Africa.
- enabling additional payment methods. i.e. local EFT Cr aggregation, for South African customers purchasing goods or services from international merchants, and the impact on the safety and efficiency of the national payment system;
- the documentary evidence required of South African customers who transact cross-border via local EFT Cr aggregation;

- the risks associated with a party other than an Authorised Dealer verifying the underlying transaction and customer data;
- the impact of an Authorised Dealer submitting BoP reporting on information they have not verified and consequent industry-wide regulatory/policy implications;
- the nature of payment aggregation as a service, and whether it is a money value transfer service;
- the licensing and registration of payment aggregation service providers, e.g. under a FinSurv authorisation framework, as accountable institutions<sup>1</sup>and/or other; and
- the technical capabilities of current systems to match low-value, high-volume transactions with a bulked cross-border payment.

Determining the appropriate regulatory interventions requires deeper analysis beyond the technical and operational success of the solution tested and warrants further deliberation. Co-ordination and collaboration between regulators is, therefore important to ensure that the ultimate regulatory approach appropriately mitigates the risks.

## Next steps

Following the conclusion of successful technical and operational testing during October 2024, the operations performed within the RSB ceased, pending a determination by the lead regulator, in consultation with the IFWG, as to the exit strategy for participants. After extensive deliberations, a decision has been made for participants to exit the RSB. No dispensation has been granted to the participants to continue with the solution. FinSurv will continue its efforts to develop and implement an appropriate regulatory framework to address cross-border payment aggregation, which will be publicly communicated by FinSurv once finalised.

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<sup>1</sup> Referring to businesses listed in Schedule 1 to the Financial Intelligence Centre Act, 38 of 2001 and which are subject to AML/CFT/CPF obligations. The FIC Act and Schedules - [Financial-Intelligence-Centre-Act-2001-Act-38-of-2001.pdf](#)