zensar

South Africa's Financial Services Industry Trends

Whitepaper

An RPG Company

Macro outlook

- IMF (April 2026 WEO) revised South Africa's 2026 GDP growth down to ~1.0%, from earlier 1.4% forecasts due to geopolitical shocks (Middle East conflict, energy prices).
- **Inflation:** Headline CPI ~4.0% (Apr 2026), up from 3.1% in March, driven by fuel and transport costs.
- **Policy rates:** SARB repo rate at 7.0% (May 2026) after 25 bps hike to manage rising inflation risks.
- **Banking sector tone:** Moderate growth outlook, with higher rates and inflation pressures weighing on demand, but system remains stable (aligned with SARB outlook).
- **South Africa was removed from the FATF "grey list"** — improving confidence in anti-money-laundering compliance, which is beneficial to banking and fintechs ,supporting smoother capital flows and improved lending confidence.

Market signals

AI adoption (banks lead): ~52% of banks in SA already using AI (FSCA–PA inaugural AI study, Nov 2025). Use cases go beyond fraud to ops, analytics, and CX.

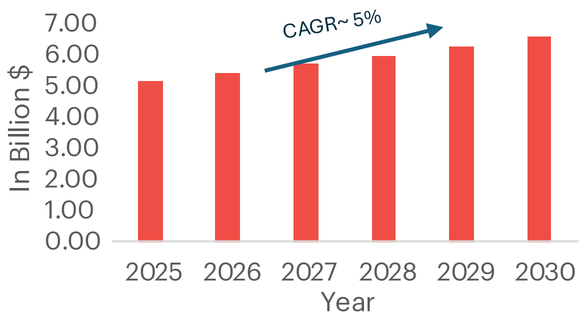
SABRIC (Aug – Sep 2025) reports **digital-banking fraud up 86%** to ~98k cases, with losses up 74% to R1.89Bn —driven by AI-phishing, deepfakes, synthetic IDs, and heavy app targeting (~65%).

SA card payments grew from ZAR 2.7Tn (2024) (+10.3% YoY) to a projected ZAR 2.9Tn (2025), with rising contactless use and merchant acceptance, carrying momentum into 2026.

SARB's Digital Payments Roadmap, PEM/NPU, FSCA Open Finance, and new NPS Act reforms are driving low-cost, interoperable real-time payments and boosting financial inclusion.

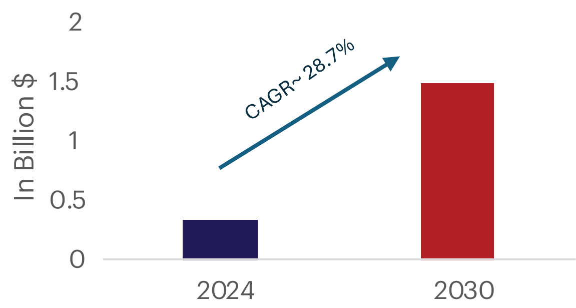
Growth indicators

SA Banking Net Interest Income



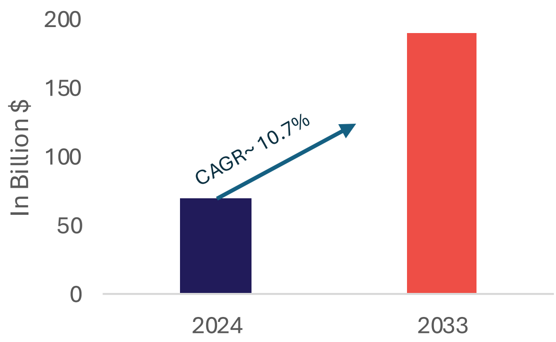
Banking revenue grows steadily, with higher loan volumes despite flat margins.

SA Open Banking Market Size



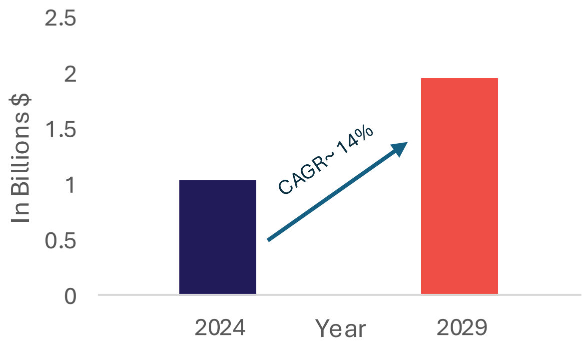
FSCA Open Finance and surging API integrations accelerate embedded payments and credit tools.

SA Digital Banking Market Size



Surging smartphone penetration and fintech innovation are speeding up digital banking growth.

South Africa Alternative Lending



The SA alternative lending market is poised for growth, driven by technological infrastructure and evolving consumer demands.

Source: World Economic Outlook, April 2026: Global Economy in the Shadow of War , Monetary Policy , South Africa: Removal from Financial Action Task Force "grey list" , Artificial Intelligence in the South African Financial Sector.pdf , S. Africa: AI is playing an ever-increasing role in the facilitation of various types of scams in the banking sector; report finds - Business and Human Rights Centre , South Africa card payments to exceed $158 billion in 2025 amid digital surge and inclusion push, forecasts GlobalData – GlobalData , African banking: From potential to performance | McKinsey , South Africa Open Banking Market Size & Outlook, 2033 , South Africa Digital Banking Market Size & Forecast 2033 , South Africa Alternative Lending Business Report 2025:

Key Trends in South Africa

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Merchant Digitization Becomes Core Commerce

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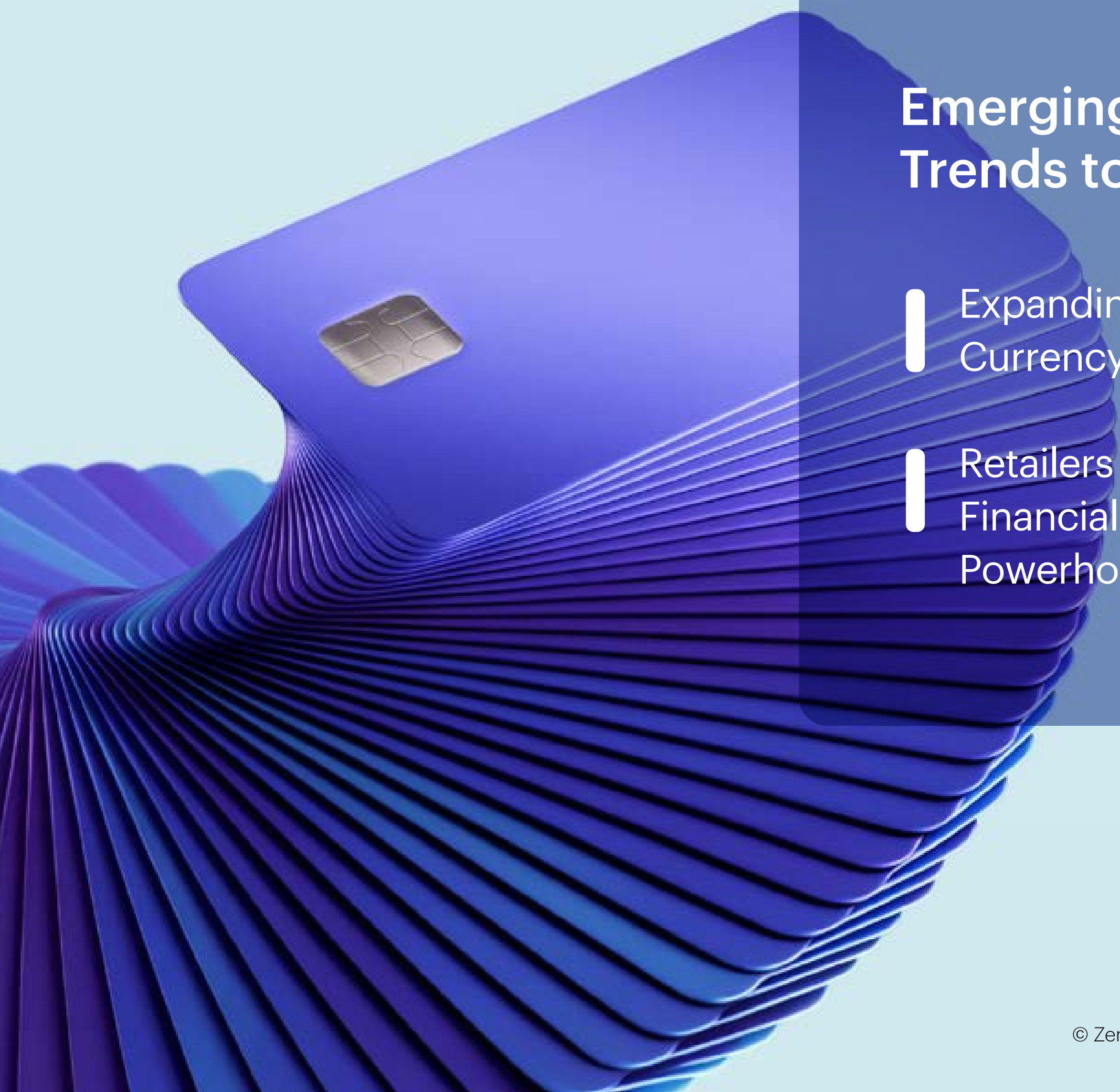
Regulations in Action: From Intent to Enforcement



Emerging Trends to Watch

- Expanding Digital Currency Adoption
- Retailers Emerging as Financial-Services Powerhouses

01 Merchant Digitization Becomes Core Commerce

South Africa is entering a payments-led commerce transformation. The formal SME sector is rapidly digitizing, with ~90% of SMEs accepting digital payments [1] and e-commerce reaching ~10% of retail at ~35 – 38% YoY growth,[2] forcing merchants to support multi-rail acceptance (cards, A2A/PayShap, QR, wallets). This shift is structurally enabled by SARB's PayShap and interoperability reforms,[3] alongside local payment infrastructure investments.

Key market trends

01

Mass SME adoption and expansion intent: 90% of South African SMEs accept digital payments, 79% plan to expand digital payment capabilities across channels,[4] with strong preference for cards and multi-channel acceptance driving continued adoption. 65% of cash-only SMEs intend to implement POS systems within two years; 80% say digital payments will soon become their primary sales channel.[5]

02

Digital commerce acceleration: Online retail in SA reached ~R130Bn+ in 2025 (≈10% of total retail), following a period of ~35 – 38% YoY growth. And it continues to expand toward ~R150Bn+ levels into 2026.[6] At the same time, increasing adoption of A2A/Instant EFT (including PayShap), wallets, and BNPL is driving demand for multi-rail payment acceptance, while ~77% of online shoppers use mobile devices, reinforcing a mobile-first commerce environment.[7]

03

Payments as the commerce backbone: Card volumes continue to grow (~10% YoY),[8] with contactless now >60% of in-store transactions,[9] alongside SARB-led initiatives (PayShap, QR, contactless) accelerating multi-rail modernization and reinforcing payments as critical national commerce infrastructure.

Agent-led commerce is emerging: Transactions are moving from user-driven to agent-assisted; 59% of South African shoppers are excited about having an AI agent shop on their behalf, requiring multi-rail orchestration instead of single-flow checkout.[10]

Initiatives by major players

SARB's payments ecosystem modernization, Digital Payments Roadmap, PayShap rapid-payments scale-up, and mandated QR interoperability are building utility-grade, interoperable payment rails that shift everyday commerce from cash to digital while lowering cost and complexity for merchants.[11]

Capitec is turning bank apps into checkout rails. Capitec Pay enables direct pay-by-bank acceptance, simplifying merchant checkout and lowering payment costs.[12]

Ozow integrated PayShap Request, enabling simple, real-time ecommerce payments and improving efficiency for its merchants.[13]

Key imperatives

1 Enable true multi-rail merchant acceptance

Banks must support cards, PayShap/A2A, QR, and wallets in one stack, as merchants now expect to serve customers across all digital payment preferences.

2 Support SARB's payments modernization

Align with SARB's direction by enabling interoperable, low-cost digital payment rails that allow merchants to accept payments seamlessly across all channels.

3 Integrate payments into merchant business systems

Connect payments seamlessly with POS, accounting, ERP, and cash-flow tools so payment data flows automatically across SME operations.

4 Leverage data as a differentiator

Use transaction data to deliver insights, personalize merchant propositions, automate reconciliation, and enable smarter lending opportunities.

Sources: *EEMEA | Mastercard Newsroom (1), EEMEA | Mastercard Newsroom (2), The future of payments in South Africa: what SARB's Vision 2030+ means for enterprise (3), EEMEA | Mastercard Newsroom (4), See Payfast by Network's Annual Reports | Resources (5), South Africa's Online Retail set to surpass R130-billion in 2025 - World Wide Worx , South Africa's Online Retail set to surpass R130-billion in 2025 - World Wide Worx (6), Digital payments strengthen SA SMEs – Gadget (7), South Africa card payments to exceed $158 billion in 2025 amid digital surge and inclusion push, forecasts GlobalData – GlobalData (8), South Africa card payments to exceed $158 billion in 2025 amid digital surge and inclusion push, forecasts GlobalData – GlobalData (9), The Future Shopper 2025 South Africa | VML (10), The future of payments in South Africa: what SARB's Vision 2030+ means for enterprise (11), Accept Capitec Pay | South Africa's Largest Bank-to-Bank Payment Method — Stitch (12), Ozow launches PayShap Request to unlock instant merchant payments – Moneyweb (13).*

02 SME Lending Driven by Alternative Data Decisioning

With South Africa's SME credit gap now exceeding R350 billion,[1] the industry is aggressively transitioning from retrospective financial statement analysis to real-time, data-led credit. Lenders are utilizing live POS streams and Open Finance APIs to underwrite liquidity rhythms, slashing approval times from weeks to mere hours[2] and keeping Non-Performing Loan (NPL) ratios as low as 4 – 5%.[3] This shift from "selling loans" to embedding capital into daily operations is critical for banks to capture the micro-enterprises that make up 85.6% of current funding demand.[4]

Key market trends

01

Alternative models address R350Bn gap: The market is shifting from retrospective financials to live POS and API data. This AI-driven approach targets the micro-enterprises (under R1 million turnover) that drive 86% of funding demand but are locked out by traditional scoring, forcing legacy banks to adapt.

02

The rise of "credit laddering": Instead of rigid, one-off loans, lenders now offer dynamic, automatically scaling credit lines based on transaction growth. This method achieves 90%+ underwriting accuracy,[5] allowing alternative lenders to maintain ultra-low Non-Performing Loan (NPL) ratios of 4 – 5%.

03

Automated split settlements: Repayments are no longer processed via risky monthly debit orders; they are deducted seamlessly as a fixed percentage of daily sales. The scalability of this frictionless model is massive, evidenced by fintechs like Yoco processing over $2 billion annually across 200,000+ merchants.[12]

Initiatives by major players

Standard Bank

Developing "PowerPulse" to integrate into solar/energy financing, effectively embedding credit into the purchase workflow for high-value SME assets.[6] Recently partnered to help distribute R1.2Bn alt energy fund to the agri sector.[7]

NEDBANK | **iKhokha**

Nedbank acquired 100% of iKhokha for R1.65Bn[8] to access real-time daily transaction data from the fintech's >R20Bn in annual payment processing.[9] iKhokha has already disbursed over R3Bn to underserved SMEs.[10]

Tyme

Leveraging the Retail Capital acquisition (successfully disbursed R12Bn[11] to >80K small businesses) to embed funding offers directly into the Tyme business banking profile, utilizing data from their "TymePOS" product.

YOCO

Pioneering the "Yoco Capital" product, which offers pre-approved cash advances to merchants based strictly on their card terminal history, with zero paperwork.

Key imperatives

1 Industrialize alt data

Integrate live POS and Open Finance APIs into core underwriting to profitably capture the micro-SME gap without diluting risk appetite.

2 Real-time portfolio steering

Shift from static risk modeling to continuous cash flow volatility monitoring. Implement daily split-settlements to proactively cap NPLs at <5%.

3 Embed capital at point of need

Disintermediate fintechs by shifting from "destination lending" to embedded finance, funding inventory or payroll directly within the merchant's daily workflow.

4 M&A/white-labeling

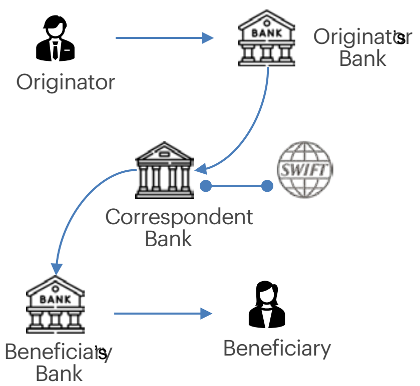
Acknowledge the bank's speed-to-market deficit. Pursue M&A or white-label proven fintech scoring engines to deploy capital in hours, not weeks.

__Sources:__ MSME access to credit and sources of support (GL) (1), THE TITLE OF THE DOCUMENT (2)(3), SA MSME ACCESS TO FINANCE REPORT (4), R12-billion South African fintech makes its first major acquisition – MyBroadband (5), PowerPulse: Solar Solutions for your Business | Standard Bank (6), standardbank.com/static_file/StandardBankGroup/filedownloads/RTS/2024/SBG_Report_To_Society_2024.pdf (7), Nedbank Acquires iKhokha to Accelerate SME Customer Growth (8) (9) (10), tyme-bank-s-digital-disruption.pdf (11), https://portfoliojobs.partechpartners.com/companies/yovco-2-04f5d2ab-cf5d-4b75-94c5-ebff46d9ab11/ - Google Search (12).

03 Alternative Rails Moving Cross-Border Payments

Cross-border payments are migrating from a high-cost legacy monopoly (7 – 9% fees) to a multi-rail ecosystem driven by operational SADC-RTGS/TCIB infrastructure and agile ADLAs offering transparent ~5% fees. The strategic horizon points to a fully integrated pan-African utility (PAPSS/CBDCs) that will compress settlement to milliseconds and costs to <1%.

PAST
(Legacy cross-border remittance)



- Branch-based manual deposits
- Multiple correspondent hops
- High overheads

PRESENT
(Current market reality)

NEW RAILS

- ✓ SADC-RTGS Operational: Clears high value and bulk settlement
- ✓ TCIB (Transactions Cleared on an Immediate Basis): Instant low value remittances

CHANNELS

ADLAs (Authorized Dealers)	Mobile Wallets
Mama Money	M-PESA
mukuru	EcoCash

Digital Security

Seamless app integration

FUTURE
(Advanced regional integration)

Integration of South African rails with:

- Broader pan- African networks such as PAPSS
- Real-time rails of other countries
- Multilateral systems such as BRICS Pay
- Global players such as Western Union, Remitly, and Wise

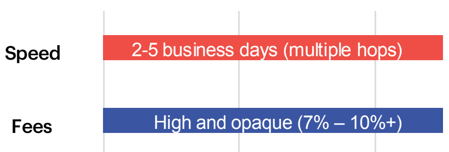
Introduction of wholesale CBDCs and stablecoins for instant multi-currency settlement

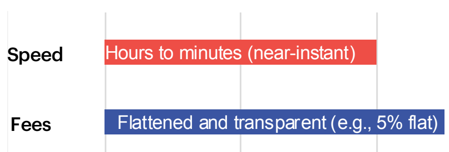
Full mobile and bank interoperability

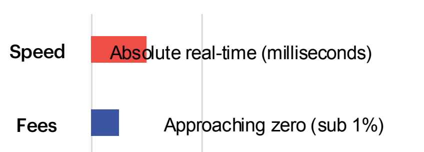
AI-driven millisecond compliance

BOP reporting automation

FEES AND SPEED: A COMPARISON OVER TIME







Alternative Rails Moving Cross-Border Payments

Cross-border payments are evolving into a low-margin regional utility within Africa's projected $329 billion[1] cross-border market. The convergence of TCIB and SADC-RTGS, which now processes upward of ZAR 220 billion[2] monthly, is creating a "borderless" payment zone. This forces banks to compete on ecosystem value, as ADLAs such as Mukuru (with 17 million+ users[3]) and Mama Money compress transfer costs to just ~5% and shrink settlement times from days to minutes.

Key market trends

01

Regulatory harmonization (SADC-RTGS and TCIB): The maturation of regional clearing systems is scaling rapidly. SADC-RTGS now consistently settles over 150,000 transactions monthly valued at over ZAR 220 billion,[4] while the TCIB instant scheme is actively opening new regional corridors to enable formal, real-time clearing of low-value transfers.

02

ADLA market entry and cost compression: New regulations grant Authorized Dealers with Limited Authority (ADLAs) direct access to settlement systems, removing bank sponsorship costs. Consequently, fintechs are aggressively undercutting traditional banking channels (which still average 7 – 9% fees)[6] by offering rates as low as 5%,[7] effectively compressing costs by up to 4x.[8]

03

Mobile wallet interoperability: The destination of funds has fundamentally shifted from bank accounts to digital wallets. Mobile money now facilitates 30% of all remittances in Sub-Saharan Africa.[9] Because of this massive ubiquity, direct-to-wallet cross-border payments have become the dominant regional flow.

Initiatives by major players

Mukuru: Dominates the corridor by building a "virtual banking" ecosystem for migrants, including grocery vouchers, funeral cover, and cash-out points, making the remittance just one part of the bundle. As of March '25, it reported 17 million users across Africa, processing $4 billion.[5]

FNB: Launched Globba in collaboration with Mastercard, which enables near-instant clearing to over 120 countries directly from the FNB digital banking app, starting at R30,[10] with no hidden fees and no charges to the recipient.

Mama Money: Focuses on a digital-first, low-overhead model that charges a flat 5% transaction fee, aggressively undercutting bank fees and forcing incumbents to re-price their "World Transfer" products.

Key imperatives

1 Transparent FX and pricing

Customers now demand real-time transparency on foreign exchange rates. The hidden fee model (marking up the spread) is becoming a competitive disadvantage as apps display live conversion rates.

2 Automated compliance

AI-driven sanctions screening and BOP (balance of payments) reporting must happen in milliseconds to deliver a true instant cross-border experience.

3 Wallet-agnostic integration

Banks must integrate with mobile money wallets (M-Pesa, EcoCash) in receiving countries, as these are the primary "bank accounts" for the recipient demographic.

4 Modernize real-time liquidity

Instant SADC-RTGS/TCIB settlement breaks legacy treasury models. Deploy AI-backed systems to optimize intraday SADC currency liquidity and minimize 24/7 FX exposure.

Sources: *Dabafinance - Africa's Cross-Border Payments Market to Hit $1T by 2035 (1), SADC-RTGS Settlement Statistics and Indicators - May 2026 (2) (4), Learn About Our Global Fintech Enterprise | Mukuru (3) (5), Africa's cross-border payments to hit $1trn on fintech boom - Businessday NG (6), How to Use Mama Money on WhatsApp (7), Africa's Cross-Border Payments Projected to Reach $1 Trillion by 2035 - Ghana Chamber of Telecommunications (8), Dabafinance - Africa's Cross-Border Payments Market to Hit $1T by 2035 (9), FNB Globba(TM) | Secure and Affordable Cross-Border Payments | FNB (10).*

04 New Banking Baseline: Agility, AI, Risk, and Trust

In South Africa, rapid AI adoption combined with tightening regulatory expectations (FSCA, SARB, FIC, POPIA) is redefining the banking baseline. Banks are shifting toward "safe AI by design" while staying agile, responsive, and resilient in a constantly evolving environment.

With digital payments scaling rapidly (PayShap ~251Mn transactions by March 2025)[1] and regulatory pressure increasing (~13.4Mn reports annually), [2] institutions must balance speed with control. The winners are those embedding real-time risk intelligence, explainability, and adaptive controls — enabling continuous compliance, faster decisioning, and frictionless customer experiences without compromising trust.

Key market trends

01
FSCA and Prudential Authority's 2025 AI report notes strong adoption (52% of banks, 50% of payment providers)[3] but the focus is shifting to agile model governance — explainability (SHAP/LIME), dynamic risk controls, and POPIA-compliant data frameworks.

02
FIC reports ~13.4Mn regulatory reports and ~570k suspicious transaction reports in 2024/25, forcing banks to move from static reporting to continuous, event-driven compliance monitoring.[4]

03
As real-time payment rails scale, banks must adopt AI-driven, adaptive risk engines that dynamically prioritize threats while ensuring seamless flow for low-risk transactions. [5]

Initiatives by major players

Discovery Bank has cut EFT fraud by 80% since October 2025 using AI that analyzes 9.5 million daily events and focuses on the beneficiary,[6] not just the sender. Unusual or previously flagged recipients trigger warnings for medium risk and blocks for high risk.

AI-driven risk management cut false positives by 77%, boosted risk identification by 10.5%, and improved transaction monitoring to uncover hidden risks.[7]

The bank's AI models assess payment destinations and behavioral risk signals. When a transaction is flagged as high risk, it is stopped immediately. Capitec reported that its AI systems blocked R300Mn in scam payments.[8]

Key imperatives

1 Agility through real-time AML and KYC

Modernize AML/KYC with real-time, adaptive decisioning (screening, monitoring, case management) to cut false positives and accelerate investigations.

2 AI-driven automations

Consolidate reporting stacks; use AI for drafting + classification, backed by case-work orchestration, and entity resolution to scale regulatory reporting with audit-ready traceability

3 Trusted data foundation with lineage and provenance

Build an enterprise Knowledge Graph to unify customer relationships, controls, and evidence. Link decisions to source data and policy to enable end-to-end traceability and audit-readiness.

4 Institutionalize explainable AI and risk management

Add explainability, strong model governance, and privacy-compliant data controls to AML/KYC engines to meet regulatory expectations.

Sources: *National Payment System Regulatory and Oversight Report 2024 (1)(5), Media-release-FIC-2024-25-annual-report.pdf (2)(4), Artificial Intelligence in the South African Financial Sector (3), Discovery Bank cut EFT fraud by 80% in six months – Daily Investor (6), SymphonyAI and Absa Group Recognised as ICA Compliance Awards "2024 Technology Partner of the Year" for predictive and generative AI SaaS innovations - Absa Group | Welcome to Absa Group Limited (7), Capitec's AI blocks R200m in scam payments | ITWeb (8).*

05 Financial Inclusion Beyond Access: Designing Products for Real Economic Impact

South Africa has achieved high access to formal finance — but too many households and small businesses remain financially fragile.[1] Accounts and apps don't automatically create savings buffers, productive credit, or real risk protection when incomes are volatile, costs are rising, and shocks (health, climate, load-shedding, local economic stress) are frequent. The next wave of growth — and legitimacy — will come from products and ecosystems that measurably improve outcomes: income stability, asset-building, SME growth in townships and informal markets, and faster recovery from shocks. This is both a sector mandate and a commercial opportunity to deepen relationships, reduce risk through better customer economics, and expand sustainable revenue pools.

Key market trends

01
The share of financially healthy South Africans declined from 24% to 16% (2024) — meaning "access" isn't converting into improved financial well-being.[2]

02
Evidence from SA banking shows banks enabling mass-scale social grant distribution (~19Mn payments/month)[3] through accounts, vouchers, and retail networks — acting as a primary entry point into formal banking for vulnerable populations.

03
FSCA highlights that nearly half (47%) of surveyed micro and small businesses only accept cash payments, with barriers including fees and reliability during power/network issues.[4]

Initiatives by major players

CAPITEC

Shifting to cashflow-based lending using daily transaction data instead of collateral, enabling credit access for ~3Mn+ informal businesses such as spaza shops and township traders — unlocking funding for previously unbanked segments.[5]

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absa

CashSend, a digital money transfer service lets you send cash to a recipient using their cellphone number; usage cited at ~120,000 transactions/month with ~R1Bn total value and 12 – 15% growth rate. [6] Positioned explicitly to expand reach into the unbanked/underbanked.

FNB is a personal financial management tool inside the FNB mobile app, Based on the behavior of >2Mn active nav» Money users over 12 months, users were: 23% more likely to improve credit status, 30% more likely to honor debit orders, and 16% more likely to start or increase savings on hand. [7]

Key imperatives

1 Build ecosystems through partnerships

Co-deliver with retailers, telcos, etc.: Embed savings, credit, insurance, and advisory into the places customers already transact, lowering CAC and increasing daily utility.

2 Underwrite using real customer economics

Use consented transactional and ecosystem data (merchant sales, bill payments, etc.) to build cashflow-based affordability and risk models — enabling productive credit and fair pricing without over-indebting.

3 Scale financial capability in-app

Move beyond "tips" to personalized coaching loops: goal-setting, nudges, rewards, and "next best action" journeys tied to measurable behavior change.

4 Digitize the cash economy (don't fight it)

Design "cash-to-digital" onramps: low-friction cash deposits, instant settlement, offline/low-data journeys, and fee models that work.

Sources: *12 Million Adults Struggle with Debt While Relying on Credit to Cope - FinMark Trust (1)(2) , Social grants set to increase in April | Sanews (3), Financial inclusion in South Africa: 37.3 million adults banked (4), How fintech is transforming informal trade in South Africa (5), Send money to anyone quickly and easily with Absa CashSend (6), Individuals who use nav» Money on the FNB App more likely to improve credit status and savings – BusinessTech (7).*

06 Regulations in Action: From Intent to Enforcement

With the FSCA and Prudential Authority Cybersecurity Joint Standard (Joint Standard 2 of 2024) enforceable from June 1, 2025, formal cyber-risk governance, controls, and incident reporting are no longer optional.[1] At the same time, South Africa is entering a transition phase where COFI and PSP conduct standards — though not fully enacted — are already forcing institutions to re-engineer controls, reporting, and customer-outcome monitoring ahead of materially tougher enforcement by 2026.

Cybersecurity and Operational Resilience

- SA is among the top targets for cyberattacks in Africa.
- FSCA and Prudential Authority Joint Standard 2 (effective June 2025)[3] mandates cyber-risk governance for financial institutions. Commercial banking is among the top three industries attacked in South Africa, with 6,800+ DDoS attacks recorded in six months (H2 2025).[2]

Impact in South Africa

- SA cybersecurity market projected ~R16.5 billion by 2029.[4]
- Banks investing in AI-based fraud detection, SOC upgrades, zero trust.

- SARB strengthened cyber defense units to protect national financial infrastructure.
- SABRIC enables shared fraud intelligence across SA banks.

FSCA

Joint Standard: Cybersecurity and cyber resilience requirements

COFI (Conduct of Financial Institutions) Market Conduct

- Firms must demonstrate fair customer outcomes and stronger conduct-risk governance throughout the value chain.
- Unified conduct rulebook across all financial sectors; significantly boosts FSCA's supervisory and enforcement authority.
- Activity-based licensing replacing FAIS categories; all FSPs will be re-licensed under COFI, once enacted.
- Over 12,500 FAIS-licensed FSPs will require re-licensing under COFI,[5] with the total expected to rise further as new activity categories bring currently unregulated sectors into scope.
- Treating Customers Fairly (TCF) becomes law, embedding stricter governance requirements.

FSCA

Impact in South Africa

- COFI impacts 100% of licensed FSPs (banks, insurers, PSPs, intermediaries).
- Operating-model upgrades required: Map services to new activity categories, uplift governance, strengthen culture, and modernize monitoring and reporting.

PSP Conduct Standards

PSP Conduct Standards are upcoming FSCA rules to regulate non-bank payment service providers (gateways, aggregators, wallets, fintech PSPs) on customer protection, transparency, complaints handling, and operational conduct, aligned with SARB's payments reforms.[6]

Impact in South Africa

- Expanded regulatory scope: Non-bank PSPs (gateways, wallets, aggregators) will come directly under FSCA conduct oversight, not just indirect bank controls.
- Higher compliance bar: Stronger requirements for disclosures, complaints, and incident handling will raise compliance costs for fintechs.
- Improved trust in digital payments: Better customer protection and transparency are expected to support wider digital payment adoption in South Africa.

Key imperatives

1 AI-driven regulatory reporting and incident detection

Deploy AI-enabled monitoring and reporting to meet Joint Standard 2, enabling real-time cyber-incident detection, automated regulatory notifications, and continuous supervisory readiness.

2 Prepare for COFI transition

Map products/services to COFI activities, refresh TCF evidence, uplift product governance and distribution oversight, and plan for re-licensing under activity-based model.

3 Strengthen PSP conduct and controls

Build interoperable, compliant PSP operations aligned with transparency, customer protection, and regulatory reporting requirements.

4 Enhance complaints and remediation frameworks

Leverage AI-led complaints intelligence to accelerate issue detection, root-cause analysis, and remediation tracking, enabling faster, more transparent complaint resolution and provable compliance with COFI outcome requirements.

Sources: *Joint Standard on Cybersecurity and Cyber Resilience Requirements – Michalsons (1), South Africa - Latest Cyber Threat Intelligence Report (2), Cybersecurity Joint Standard: commencement date confirmed – Moonstone Information Refinery (3), R16.5bn spike for SA's cyber security market | ITWeb (4), Conduct reform does not hinge entirely on COFI enactment (5), South Africa's National Payment System: PSP licences and the 2026 payments reform (6). Joint Standard on Cybersecurity and Cyber Resilience Requirements – Michalsons , R16.5bn spike for SA's cyber security market | ITWeb , Conduct reform does not hinge entirely on COFI enactment , South Africa's National Payment System: PSP licences and the 2026 payments reform , South Africa - Latest Cyber Threat Intelligence Report*

Emerging Trends in South Africa's Banking and Financial Sector

1. Expanding digital currency adoption

South Africa's digital currency ecosystem is evolving from speculative crypto adoption (9 – 10%) toward regulated, utility-driven digital money infrastructure, led by SARB's CBDC experiments, rising stablecoin adoption, and tokenized deposits enabling real-world payment use cases across merchants and cross-border flows.

Key market trends

01

CBDC "wholesale-first" direction is maturing: Pilots are validating tokenized settlement concepts (e.g., DvP/PvP), laying foundations for interoperable, multi-network settlement rails for banks and market infrastructure.

02

Stablecoins emerging as dominant transaction layer: Globally >$10Tn annual transaction volume (2024), with increasing adoption in Africa for low-cost cross-border payments, merchant settlements, and FX hedging — offering significantly lower fees vs traditional rails (up to ~60 – 80% cost reduction).

03

Regulation formalizing the ecosystem at scale: FSCA has received 500+ CASP license applications, signaling rapid transition from informal crypto markets to a regulated digital asset ecosystem.

Key imperatives

01

Position for tokenized value flows: Enable support for CBDCs, stablecoins, and tokenized deposits to capture emerging payment, remittance, and merchant settlement use cases — especially in cross-border and informal economies.

02

Build merchant-linked programmable payments: Leverage digital currency rails to enable instant settlement, embedded finance, and smart contract-based payments across retail networks and SME ecosystems.

2. Retailers emerging as financial services powerhouses

- **South African retailers are fast evolving into scaled financial services distributors and platform banks, using expansive store networks, rich loyalty data, and embedded fintech rails. Regulatory openness (Twin Peaks, banking licenses, payments reform) and mobile-first consumer behavior are accelerating their expansion into payments, credit, wallets, insurance, and full transactional banking, intensifying competition with traditional banks and fintechs.**
- **South Africa's embedded finance market, within which retailer-led financial services sit, reached $2.92 billion in 2025, growing at a 16% CAGR since 2021 and projected to reach $5.55 billion by 2030 — with retailers emerging as significant players.**

Key market trends

01

Retailers are becoming regulated financial institutions: Pepkor received Prudential Authority approval (Nov 2025) to establish a bank, supported by its Cloud badger fintech platform and 6,000+ stores. Its fintech segment grew 31% YoY to R16.6Bn (FY25), driven by 61% growth in financial services

02

Payments and cash services are the primary entry point: Retailers such as Shoprite and Pick n Pay act as cash-in/cash-out and bill-pay hubs. Shoprite's money services already serve ~4 million customers, mainly in lower-income and rural areas.

03

Embedded credit and BNPL are scaling at retail POS: South Africa's BNPL market was around $815Mn in 2025, growing 13.6% YoY, largely driven by retail checkout and in-store adoption; market expected to reach $1.3Bn by 2030.

Key imperatives

01

Turn retail data into responsible credit and risk intelligence: Convert retail behavioral and basket-level data into explainable, regulator-aligned AI decisioning for credit, fraud, and affordability — enabling responsible lending at scale, especially for thin-file and first-time borrowers.

02

Platform-first, compliance-by-design architecture: Enable retailer-led banking, payments, and credit with cloud-native, API-driven platforms aligned to Twin Peaks regulation.

Sources: *South Africa's SARB: no current need for retail CBDC. Pivots to wholesale - Ledger Insights - blockchain for enterprise , Africa's Stablecoin Revolution in Cross-Border Payments: Driven by Necessity: By Mouloukou Sanoh , Zeeh , New challenger bank: Pepkor secures approval to join the sector*

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