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Dear Client

## NAEDO and EFT Payment Clearing House (PCH) rules with respect to debit order abuse

As per PASA clearing rules for both the NAEDO and EFT PCH payment streams, the details mentioned below must be in compliance. Should the compliance investigation process be initiated, any non-compliance will result in penalties.

### a) Definition of mandatory mandate components

The following elements of a payment mandate have now been defined as mandatory for the determination of a valid mandate as part of the compliance management process and determination of penalties:

- 1) Abbreviated short name of the collecting party
- 2) Name of the user
- 3) Deduction amount
- 4) Deduction date
- 5) Surname, initial and bank account number of the customer/acountholder

In addition to the above, **explicit authority** must be given by the accountholder to the user/collecting party to debit his/her account in accordance with the mandatory elements above. It has always been a requirement that a debit order mandate must include authorisation by the accountholder, but for the elimination of any doubt the new rules are placing more emphasis on the nature of the authorisation which should be very explicit with regard to debiting the bank account and in line with the crucial criteria.

### b) Classification of mandates

Mandates will be classified as follows:

- 1) **Valid mandate** – is a mandate adhering to the mandatory components including the explicit authority given by the accountholder.
- 2) **Deficient mandate** – is a mandate which does not contain one or more of the mandatory components.
- 3) **No mandate** – this arises in instances where:
  - a) No physical written, voice or electronic mandate exists

- b) No explicit authority has been given by the accountholder to the user/collecting party to debit his/her account in a purported mandate
- c) A falsified mandate is provided whether or not the intention was to defraud the accountholder.

**c) Triggers for the investigation process**

The below triggers will result in investigation into the conduct and management of the collection book to determine whether or not there is evidence of user debit order abuse:

- 1) Dispute ratio – as per set thresholds in the NAEDO and EFT PCH Clearing Rules. This is currently set at 0.5% of total transactions submitted.
- 2) Complaint raised with PASA Executive Office (EXO) with regard to potential user debit order abuse.
- 3) Instruction from regulatory bodies such as PASA Council, the South African Reserve Bank (SARB), South African Banking Risk Information Centre (SABRIC), and Financial Services Board (FSB).

In the case of ratios or instruction triggers, you will be required to provide mandates for 50 randomly selected transactions within 20 (twenty) days from the date of request. Absa Bank is required to furnish the same to PASA EXO within 30 (thirty) calendar days from the date of instruction from PASA EXO. The current NAEDO and EFT clearing rules also make provision for Absa Bank to call for mandates at any time where possible user debit order abuse is noted.

In case of a complaint, you are required to furnish the mandate in question within 14 (fourteen) business days from the date of request. Should you not comply you will be required to provide mandates for 50 randomly selected transactions. Absa Bank is required to furnish the same to PASA EXO within 30 (thirty) calendar days from the date of instruction from PASA EXO.

PASA EXO will conduct quality assurance on the mandates furnished to determine the number of mandates which are valid, deficient or do not exist.

**d) Penalties**

R1 000 will be levied as penalty per deficient mandate or for mandates that have not been supplied. While the fines will be levied against your bank (Absa), please note that these penalties will be immediately processed to your account, advising you of the detail of the underlying fine.

**e) User Debit Order Abuse List**

If the ultimate creditor fails to produce at least 10% or 5 of the requested mandates, PASA EXO will list the ultimate creditor, (including its directors and sponsoring bank) on the User Debit Order Abuse List. While on the list, the ultimate creditor will not be able to move to another bank until such time as PASA EXO has been furnished, and is satisfied with, evidence of remediation in the mandate management process.

Absa Bank wishes to thank you for the continued support and urges you to strictly honour all the contractual obligations and rules relating to collections via the debit order services to prevent the negative impact of any non-compliance.

Kindly familiarise yourselves with the above. Where in doubt, do not hesitate to contact your transaction banking adviser.

Kindly acknowledge receipt, sign below and return the copy to us.

**Client Response**

I/We have read and understood the contents of this letter and will comply with the above.  
I/We further acknowledge that I/we understand that committing debit order abuse is a criminal offence and can be prosecuted in a court of law.

.....	.....
Signature (Primary resolution signatory)	Date

.....	.....
Full Name	Designation

.....	.....
Full Witness signature	Date

.....
Full Name

Additional Resolution signatories

#	Full Name	Signature	Designation	Date
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				