



September 2020

Welcome to our very first DebiCheck newsletter where we will be distributing news relevant to the user community. We hope that the content shared is informative and assists you on your DebiCheck journey.

The DebiCheck system is an effective and commercially viable collection system in that users can collect in the early collection window, thereby ensuring a better chance of collection as opposed to collecting in the late window. The DebiCheck process ensures added protection for users from irresponsible consumer behaviour by reducing and preventing disputes stemming from cash flow management. Mandates are also digitally transmitted from the creditor's bank to the debtor's bank and stored at the debtor bank, thereby creating better visibility on the actual identity of the user entities, mandate conditions and therefore allows the debtor's bank to validate all collections against the fields and conditions agreed to by the parties with regard to a specific mandate, thereby also protecting the consumer.

Where are we at currently?

Shifting timelines

The South African Reserve Bank (SARB) recently announced a shift in DebiCheck implementation timelines, by moving two important dates out by a year.

- The current May 2020 deadline for no new AEDO and NAEDO mandates has been shifted out to May 2021.
- The current October 2020 sunset date when both AEDO and NAEDO would no longer be available has been moved out to the end of October 2021.

The shift in dates is not an indication that the DebiCheck system is not working, rather the contrary. It is business-as-usual for the industry and the DebiCheck team.

System stability and maturity

The DebiCheck system is one of a kind not only in South Africa, but also around the world. The system is highly complex and system stability, whilst operating in the high 90th percentile, has not yet reached the levels expected. Addressing system stability remains the key focus of the industry as we see continuous improvement within the technical space.

Confidence in the system continues to grow as we experience a continuous flow of new users onboarding. This contributes to temporary instability of the system. The migration of the back-book presents further challenges as the users of the system continue their efforts. For successful migration, the requirement for clean data to minimise validation failures has become apparent. Validation failures caused by data cleanliness issues account for approximately 20% of migration failures. The collection success rate for August and September ranged between 70% and 80%. Despite the macro stressors such as the weakening economy due to COVID, the collection success rate has been consistently on par with AEDO and NAEDO average rates, and in individual cases even better, which is encouraging.

Despite some challenges, transaction volumes continue to increase and remain significant, with 70% of the users that contribute 80% of current EDO volumes onboarded and active in the production space.

Helping consumers to adopt DebiCheck

In addition to system stability, consumer adoption remains a key industry focus. Earlier this year an independent consumer survey was undertaken to establish why 62% of consumers on average were not responding to requests from their banks to authorise a mandate request, known as a no response (NRSP). It is important to note that an NRSP was neither a rejected nor declined action by the consumer, rather these consumers *chose not to respond*, for whatever reason.

The research findings revealed valuable insights. It was established that part of the cause of a NRSP was due to user agents failing to inform 70% of respondents about DebiCheck and/or the timeframe urgency around the approval process. In addition, general consumer awareness and education regarding DebiCheck was low, with 83% of consumers having not heard of DebiCheck prior to being interviewed, despite the banks and PASA's extensive awareness campaigns being performed during 2019. This begs the question: How do we bridge the consumer DebiCheck awareness and adoption gap?

We believe the consumer adoption solution may primarily reside at the users' feet, so to speak. Users are better placed to educate the consumer about the DebiCheck process, can advise upfront what to expect and explain how to approve a DebiCheck request. By ensuring user agents and salespersons are well versed in their knowledge of DebiCheck and how they convey this information to consumers may help the consumer not only understand the need to accept a mandate that they have agreed to, but also to ensure that a successful collection in the early collection window is secured.

The need for a fall-back

Although the DebiCheck solution has experienced maturity challenges, a vast amount of effort at the highest level has been and continues to be invested by the banks. Although stability remains high, hovering around 99%, these maturity challenges continue to have a knock-on effect to poor consumer responses and user onboarding. The need for a fall-back solution not only seemed evident to mitigate industry risk and help with the adoption process, but also to bide the system time to fully mature.

As an interim measure, the SARB agreed to the implementation of a transitional solution known as the Registered Mandate Service (RMS). RMS encompasses the digital registration of a mandate at the debtor's bank, where no further authentication and/or authorisation of the mandate is required. Collections occur in the ISO 20022 system built for DebiCheck, transpiring as a second priority collection, still in the early window. RMS is intended to bridge the gap between technical and business success, while assisting users and consumers in the DebiCheck journey.

Before users may use the RMS system, they would need to adhere to the following criteria:

- Users must be pre-vetted and registered according to the Debit Order Abuse (DOA) process via their sponsoring bank.
- Users must have attempted a DebiCheck mandate initiation. An RMS can only be initiated if the consumer fails to respond to a DebiCheck mandate authorisation request.
- RMS will apply to new mandates only; a DebiCheck mandate that has been declined by the consumer cannot be introduced again as a registered mandate.
- Collections against a registered mandate will be a 2nd priority in the early collection window after DebiCheck.
- RMS payment instructions are fully reversible through a dispute action within 12 months of the original debit.
- RMS is to be implemented as soon as possible with development and testing already having started.

RMS development and formal interbank testing is complete for the banks. Live implementation has started with the majority of banks with the remaining banks being ready by mid-November. RMS will enable collections to remain in the early collection window where the consumer failed to respond to a DebiCheck mandate initiation.

What is next for DebiCheck?

The diagram below highlights the key focus areas and core deliverables from now until May 2021. Achieving technical and functional stabilisation remains a key focus for DebiCheck and RMS, as well as user adoption and onboarding. In addition, exploring additional authorisation solutions in the remote and non-face-to-face world is a key priority.



Consumer awareness and education by banks and users is ongoing and expected to be stepped-up during 2021, which will also help to address the poor consumer responses currently experienced.

DebiCheck Awareness Webinar Sessions

The DebiCheck project team will be embarking on user awareness webinar sessions to take users through the DebiCheck journey and share insights that may be useful to users by assisting with onboarding and adoption. Please keep an eye-out for the invitation to attend one of these invaluable webinars.

The DebiCheck team looks forward to partnering with you on the DebiCheck journey. For more information on DebiCheck please hop onto the DebiCheck website at www.debichack.co.za or contact your sponsoring bank. To get in touch email admin@debichack.co.za.