

Authenticated Collections (AC)

Preparing for the 2019 deadline

What is AC?

The introduction of Authenticated Collections is aimed at enhancing the safety and efficiency of the payments system by reducing the number of unauthorised debit orders. Directive 1 of 2017 was published in the Government Gazette on 23 June 2017 and provides for the conduct of participants involved in the collection of payment instructions in the early debit order (EDO) environment.

- Authenticated Collections
- Affordability Assessment
- Garnishee Orders



- ✓ 7% - 8% of 714 million NAEDO's are disputed
- ✓ 18% of NAEDO transactions are unpaid due to a lack of funds
- ✓ 33 million "normal" Debit Orders to the value of R61 billion are processed each month, with disputes for Debit Orders reported at 0.5%

Debit order disputes present increasing reputational risks for any company collecting via a debit order and together with debit order fraud, this move to authentication provides all participants with enhanced protection



Importance of preparing for AC

If companies are unable to authenticate the consumer's mandate to debit their bank account via the new DebiCheck process, the transaction will NOT be able to be processed. All participants participating in the EDO payment clearing houses, namely AEDO and NAEDO are required to implement AC by 31 October 2019.

Participants are further required to fully implement AC as the only Payment Clearing House (PCH) to initiate new debit order instructions in the early processing window by 31 January 2019. From this date no new, extended or renegotiated AEDO or NAEDO collection agreements may be concluded.

Legal	Systems	Client Communication	Confidentiality	Training	Operations
<ul style="list-style-type: none"> - Existing and new contracts to be amended to provide for the new AC process, annual confirmation & contract variations - Dispute resolution process - Revise terms and conditions for contracts 	<ul style="list-style-type: none"> - Process to request client authorisation - Authorised mandates will need to be registered in system before sending debit order for collection & further validation on receipt of response from the client's bank 	<ul style="list-style-type: none"> - Awareness campaign to clients - Annual confirmation of mandate & contract variations requiring reauthorisation 	<ul style="list-style-type: none"> - Mandate details need to be stored without compromising personally identifiable information 	<ul style="list-style-type: none"> - Organisation wide training and awareness to ensure understanding of new AC processes 	<ul style="list-style-type: none"> - Business model changes to adapt to new requirements - Credit agreement management

Ensure compliance with SARB directives and transfer to AC is effected within SARB and PASA deadlines. S 5.1.5 of the Directive states that companies must report progress on implementation as and when requested by SARB in terms of S 10 of the NPS Act. Contravention of this Directive is an offence in terms of S12 of the NPS Act

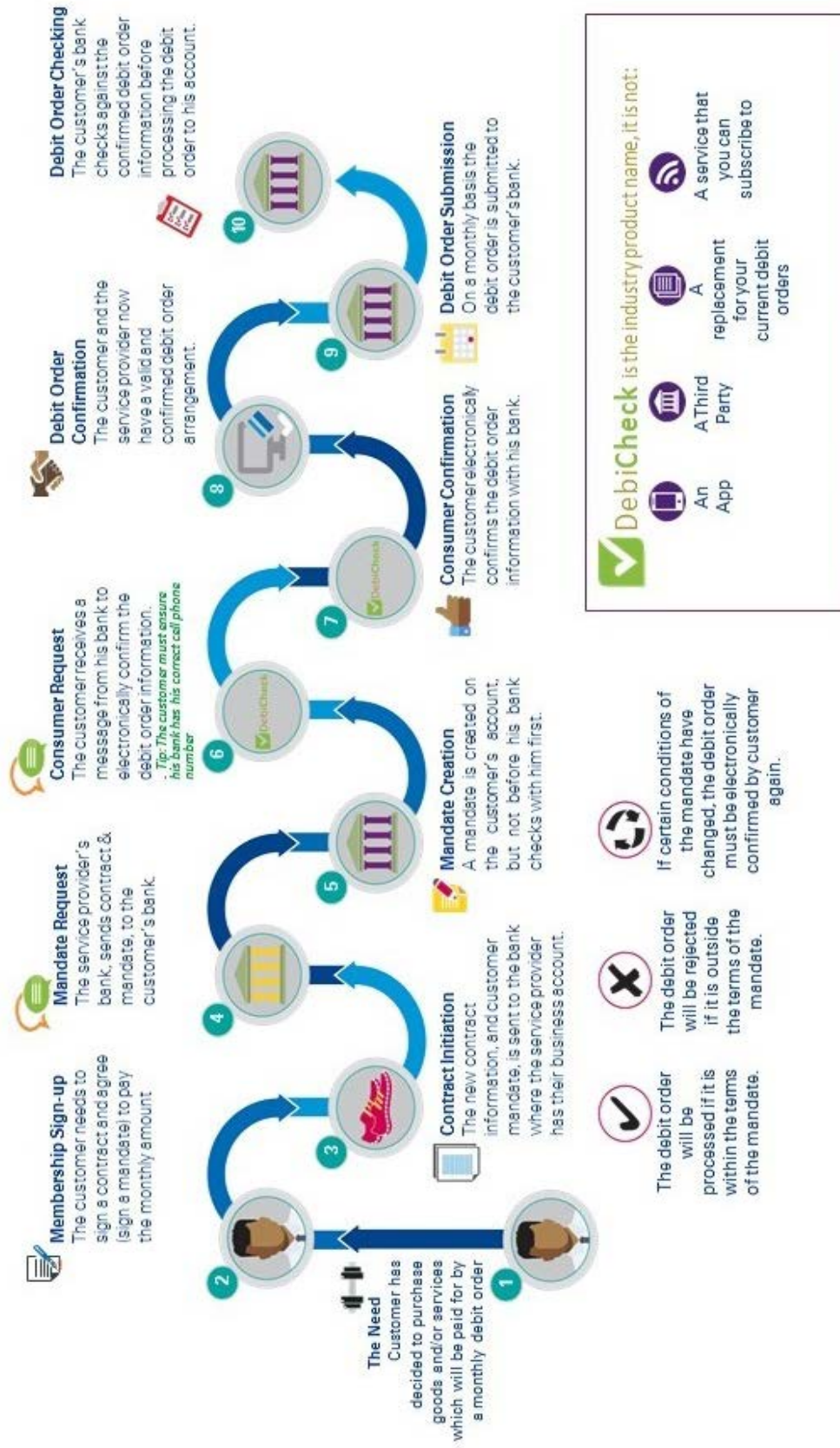
There are many scenarios where a company processes Debit Orders to a consumer's bank account without a proper or valid mandate, no mandate or with an expired one. In other instances, consumers request their banks to return Debit Orders which have already been paid even when a valid mandate is in place.

The Authenticated Collections process is aimed at:

- Reducing fraudulent debits and un-paid, specifically in NAEDO (non-authenticated early debit orders)
- Increasing the successful collection and reducing the number of un-paid/disputes
- Rule out any cash flow management strategies from abusive consumers
- Protecting companies in that authenticated mandates will not be easily disputable by consumers.

How does AC process work?

To protect both the sides of the transaction the South African Reserve Bank has requested PASA to develop a new system called *Authenticated Collections* (AC) to replace Early Debit Orders (EDO).



August 2018 - SARB issues Directive 1 2017



31 January 2019 – No new AEDO / NAEDO



31 October 2019 January – All AEDO / NAEDO move to AC