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South Africa

eZAR Multi-Issuer Stablecoin Industry Report

The Transformation of South Africa's Financial Landscape

This report summary synthesizes the findings from FINASA's Payments Working Group (PWG) and demonstrates how the eZAR concept represents far more than a traditional stablecoin.

It embodies a transformative approach to financial inclusion, monetary sovereignty, and digital payments innovation in South Africa.

Drawing on the PWG full report and the program materials available, this summary report reveals how eZAR addresses critical challenges on financial inclusion outlined in the SARB's April 2024 Digital Payments Roadmap while strengthening South Africa's monetary policy objectives



Foreword by Darren Franks

The Fintech Association of South Africa

The Fintech Association of South Africa (FINASA) is a non-profit organisation dedicated to promoting and supporting the growth and development of the fintech industry in South Africa. FINASA was founded in 2022 by a group of fintech industry leaders who saw the need for a platform where fintech companies, entrepreneurs, investors, and other stakeholders could connect, share ideas, and collaborate on projects. Today, FINASA is a thriving community of fintech professionals from a wide range of backgrounds, all united by a common goal: to drive innovation and growth in the fintech sector.

The Payments Working Group

The Payments Working Group (PWG) was initiated by FINASA as a strategic effort designed to foster innovation, collaboration, and growth within the payments sector and provide regulators with insights into the latest trends by acting as a voice for fintechs in the payment industry. By bringing together leading organisations, we aim to address the evolving challenges and opportunities in payment systems, streamline processes, and drive the adoption of emerging technologies.

The eZAR Industry Stablecoin Interoperability Programme is the first activity initiated by the FINASA PWG. FINASA partnered with Block Markets Africa (BMA) to host the twelve-week PWG Programme on an Open Regulated Network (XCAP) exclusively operated by licensed financial services providers. Block Markets Africa has deep experience consulting, developing, and operating DLT based financial infrastructures, products, and services. This includes playing a key technology role on the South African Reserve Bank's Project Khokha 2, experimenting with settlement of tokenised debentures in a CBDC based stablecoin.

The programme ran from October to December 2024 and explored the impact of domestic ZAR based stablecoin solutions' potential to address financial inclusion across industries and stakeholders, guided by action areas highlighted in the SARB's Digital Payments Roadmap Report from April 2024.

Participants

We would like to thank all of the participants in this programme for their enthusiastic contributions to the experiments, discussions and debates, and for their continuing support of FINASA. BMA's role in facilitating the programme and creating the eZAR framework is specifically noted, and we thank them and specifically also Paul Mitchell from Blockhouse for the exemplary work that went into preparing the full report. A full list of programme participants is available on request.

Introduction and Context

The eZAR Initiative emerged from a unique confluence of regulatory progression, technological innovation, and coordinated industry collaboration. As detailed in this Payments Working Group (PWG) report, *"The eZAR interoperability programme was conducted by FINASA's Payments Working Group to explore the feasibility of a multi-issuer eZAR stablecoin and evaluate its potential to enable inclusive, interoperable financial services with a particular emphasis on advancing the action areas outlined in the South African Reserve Bank's (SARB) Digital Payments Roadmap."*

This initiative signifies a pivotal moment in positioning South Africa as a continental leader in regulated stablecoin innovation.

The timing of this programme was especially significant, aligning with critical regulatory milestones. The Financial Sector Conduct Authority (FSCA) had recently granted more than 150 Crypto Asset Service Provider (CASP) licences, providing fintech firms with access to a formalised digital asset regulatory framework. Concurrently, the SARB's Digital Payments Roadmap articulated a clear vision for broadening access to the national payments system, extending participation to non-banking entities and expressly identifying stablecoin experimentation as Action 17 within its comprehensive modernisation agenda.

Together, these developments underscore a transformative period in South Africa's financial ecosystem, one defined by innovation underpinned by sound regulation and collaborative industry leadership.

While the eZAR Initiative represents a significant milestone in South Africa's financial innovation journey, its true distinction lies in the model itself. Far from being a conventional stablecoin, eZAR introduces a **multi-issuer, interoperability-driven framework that redefines how digital value can be created, regulated, and exchanged within an inclusive financial ecosystem**. The following section explores the underlying principles, structure, and strategic intent of eZAR, and how it extends beyond traditional stablecoin paradigms.



Understanding eZAR: Beyond Traditional Stablecoin Models

The Multi-Issuer Innovation

The fundamental innovation underpinning eZAR lies in its multi-issuer architecture, representing a paradigm shift from traditional stablecoin models. Conventional stablecoins, such as Tether (USDT) and Circle's USD Coin (USDC), typically operate on a "winner-takes-all" principle, wherein a single issuing entity retains full control over the backing collateral and captures all associated interest income. As outlined in the PWG Report, *"The eZAR model can be placed in contrast to the Tether or USDC Circle business model. When an entity buys USDT, Tether invests that money in liquid assets, and the interest from those assets accrues entirely to Tether itself."*

In contrast, eZAR introduces a collaborative issuance model, enabling multiple licensed financial service providers to issue the same fungible token, each backed by a common collateral pool — specifically, a tokenised Money Market Fund (MMF). This design democratises stablecoin issuance by distributing both access and economic value across participating fintechs. As the PWG Report further explains, *"With eZAR, the interest on the collateral asset accrues to the issuers pro rata to the eZAR they have issued. This provides a commercial model that supports any entity issuing eZAR to their customers."*

Through this structure, eZAR not only enhances competition and inclusivity within the digital currency ecosystem but also establishes a sustainable and equitable economic framework for regulated stablecoin innovation in South Africa.

Technical Architecture and Regulatory Compliance

The eZAR system is structured through an En Commandite Partnership (ECP) framework. As outlined in the PWG Report, *"Under South African law and financial regulations, there is currently no provision for issuing a native token that itself constitutes a financial contract... To structure a tokenised collateral asset in compliance with South African law, eZAR utilises an En Commandite Partnership (ECP)."*



Technical Architecture and Regulatory Compliance (Continued)

This En Commandite Partnership (ECP) structure is underpinned by a clearly defined governance framework comprising several key roles and participants. The Partnership Assets, represented by the underlying Money Market Fund (MMF), are managed by a regulated asset manager to ensure prudential oversight and fiduciary integrity. The General Partner, currently RainFin, a Crypto Asset Service Provider (CASP) licensed fintech, is responsible for the operational management and compliance of the partnership. An Independently Appointed Asset Manager, CAEP Asset Managers, provides an additional layer of oversight, ensuring transparent and independent administration of the collateral assets. The Limited Partners consist of a consortium of CASP-licensed Financial Service Providers (FSPs), each authorised to issue eZAR tokens to their respective customer bases.

This governance model delivers legal and operational clarity, aligning the eZAR framework with South Africa's existing financial legislation while enabling native digital asset ownership within a compliant, multi-issuer environment.

By balancing regulatory rigour with technological innovation, the structure establishes a scalable and lawful foundation for future stablecoin deployment across the broader financial ecosystem.



Workshop-Driven Innovation

The credibility of the eZAR Initiative derives not only from its conceptual framework but from its systematic validation through FINASA's twelve-week workshop programme, conducted between October and December 2024. The Payments Working Group (PWG) designed the programme as a structured journey of discovery and validation, with each session building upon prior insights to examine specific use cases, operational implications, and potential market impacts.

As noted in the PWG Report, *"The workshops in the Payments Working Group programme took place over about three months, with the goal of introducing participants to the multi-issuer stablecoin model and exploring the use cases and implications thereof."*

The workshops were intentionally structured to guide participants from foundational understanding to advanced application, fostering a comprehensive grasp of eZAR's practical and strategic potential across various financial sectors. This methodical and iterative approach ensured that both technical and commercial dimensions were rigorously explored, with findings substantiated through hands-on experimentation and demonstration.

The outcome was a **deeply validated model** that combined theoretical soundness with proven applicability in real-world financial contexts.

We now summarise the objectives and key insights from each of the first five workshops conducted during the programme:



Workshop 1: Serving All Users Responsibly

The opening workshop established the foundational principle that *“users obtain their own smart wallet and complete Know Your Customer (KYC) verification with a licensed Financial Service Provider (FSP) to become verified, thereby gaining access to regulated, permissioned instruments issued by FSPs on the network.”* This session demonstrated how the eZAR model effectively addresses the core **challenge of financial inclusion while maintaining full regulatory compliance.**

The outcomes of this workshop align directly with Action 8 of the South African Reserve Bank’s Digital Payments Roadmap, which focuses on secure payment identity, multi-factor authentication (MFA), and electronic KYC (eKYC). As described in the PWG Report, *“Every eZAR wallet has the owner’s identity verified by a licensed FSP, ensuring that all transactions within the ecosystem are Travel Rule compliant, and providing MFA authentication and authorisation services for users.”*

By **establishing trust, security, and compliance as non-negotiable prerequisites for innovation**, this initial workshop laid the essential groundwork for the subsequent sessions, enabling participants to explore more advanced applications of eZAR within a robust and regulated framework.

Workshop 2: Stable Reliable Store of Value

The second workshop focused on demonstrating the operational dynamics of eZAR as a common payment instrument within the network. As articulated in the PWG Report, *“The common payment instrument that everyone accepts on the network is the eCurrency; this is the domestic region’s multi-issuer stablecoin backed 1:1 by Money Market Funds.”* Participants examined how users can “redeem the South African eZAR at any time for an instantaneous rand payment into any South African bank account, or even withdraw cash at participating ATMs, always at a 1:1 eZAR-to-rand value.



Workshop 2: Stable Reliable Store of Value (Continued)

The outcomes of this session underscored eZAR's potential as a credible neo-money alternative, maintaining full parity with the South African rand while delivering enhanced digital functionality. By providing a high-quality, rand-denominated stablecoin, eZAR directly addresses the cryptodollarisation risk posed by foreign stablecoins such as USD-based tokens. In doing so, it **supports monetary sovereignty and strengthens the resilience of South Africa's domestic financial ecosystem.**

Workshop 3: Returns and Yield Rewards

The third workshop examined the commercial sustainability model underpinning the eZAR ecosystem. Participants explored the mechanism through which *"the returns on the eCurrency reserves are paid to the participating Financial Service Providers (FSPs), who in turn share a portion of this yield with verified users. These distributions are paid as loyalty eZAR Rewards to incentivise specific behaviours, including maintaining positive eZAR balances within smart wallets."*

This workshop validated the economic model that fundamentally differentiates eZAR from traditional stablecoins. Whereas conventional models such as Tether (USDT) or Circle's USD Coin (USDC) does not return yield to the token holder, where interest income on reserves accrues solely to the issuer, the eZAR framework introduces a yield-sharing mechanism that redistributes value across the network. This design empowers fintechs to offer competitive customer rewards, reinforcing both commercial viability and ecosystem inclusivity.

By aligning economic incentives with user engagement, eZAR advances a neo-banking platform model that fosters customer acquisition, retention, and long-term participation. This structure not only enhances financial inclusion but also **establishes a sustainable, self-reinforcing business model for regulated digital finance in South Africa.**



Workshop 4: Free Local Transfers, Validating Inclusion Through Practice

The fourth workshop focused on demonstrating eZAR's peer-to-peer (P2P) functionality and its potential to enhance financial inclusion at scale. As described in the PWG Report, *"Users can transfer eZAR between each other instantly and freely, irrespective of which FSP verified them."* This interoperability allows *"new users to be added to the network by any FSP quickly, with each receiving their own free wallet. Sending eZAR via SMS voucher to new users provides an easy and efficient way to grow the network."*

The outcomes of this workshop align directly with Action 13 of the South African Reserve Bank's Digital Payments Roadmap, which focuses on youth-friendly micro peer-to-peer payments. In this context, eZAR facilitates *"completely free and instant domestic peer-to-peer payments between users who do not have bank or mobile money accounts, including free micropayments, enabling transfers as small as R0.01 between users instantly."*

By eliminating traditional banking and infrastructure barriers, eZAR enables universal access to digital financial services and demonstrates how regulated innovation can advance inclusive, low-cost, and frictionless payment ecosystems. This workshop effectively **validated eZAR's ability to function as a practical enabler of financial inclusion, particularly among underserved and unbanked populations.**

Workshop 5: Swapping/Buying – Strategic Counter-Measures Validated

The fifth workshop focused on interoperability with other digital assets, demonstrating how users *"can exchange eZAR for other tokens, such as the global multi-issuer eCurrency eUSD backed by BlackRock's USD Money Market Fund, or use it to purchase prepaid airtime, data, and other vouchers."*

The outcomes highlighted eZAR's function as a **regulated interoperability layer** bridging traditional finance and the crypto ecosystem. This controlled gateway allows users to access global digital assets within a compliant framework, while reinforcing anti-dollarisation objectives through a rand-first approach that strengthens domestic currency use in the digital economy.



Alignment with the SARB Digital Payments Roadmap

The eZAR initiative represents South Africa's industry-led strategic response to the growing threat of cryptodollarisation by offering a high-quality, rand-denominated alternative to US dollar stablecoins. The PWG Report emphasises that *"the provision of a stablecoin denominated in the local currency is therefore an obvious counter to the threat of cryptodollars. Without an alternative in their local currency, users will adopt dollar-denominated stablecoins."*

This approach aligns with the principles of monetary sovereignty, defined in academic research as "the effective control exercised by governing authorities over financial and monetary systems within their jurisdiction." By introducing an attractive, regulated, and accessible rand-based digital asset, eZAR supports the preservation of domestic monetary integrity while enabling South African participation in the global digital economy on a sovereign and equitable basis.

The South African Reserve Bank's (SARB) Digital Payments Roadmap, published in April 2024, outlines 17 targeted action items designed to create **"inclusive, accessible, effective, and sustainable digital payments."** The eZAR initiative demonstrates strong alignment with these objectives, directly addressing 14 of the 17 actions through its technical architecture and implementation approach.

The Roadmap highlights several persistent barriers to digital payment adoption, including "over-reliance on cash, coupled with high costs to consumers and small, micro and medium-sized enterprises; fragmented systems; financial exclusion of underserved and disadvantaged communities; financial and digital illiteracy; slow modernisation of legacy systems; and restricted access to infrastructure."

The eZAR model systematically addresses these challenges through its inclusive design principles, low-cost infrastructure, and practical deployment mechanisms, providing a blueprint for accelerating digital payment modernisation across South Africa's financial ecosystem.



The sixth workshop examined eZAR's integration with existing payment infrastructure, highlighting that *"global debit cards enabling tokenised settlements are currently easier to connect than domestic cards, though local programmes are underway to introduce this functionality. Engagements with PEM and PayShap are being scoped to test direct settlement integrations under anticipated future regulatory experimentation programmes."*

This workshop validated eZAR's interoperability with legacy payment systems while charting a path toward deeper native integrations within South Africa's payments landscape. The outcomes align with Action 6 of the SARB Digital Payments Roadmap: Money Interoperability, demonstrating that *"eZAR is open-loop and already integrated and interoperable with money in every South African bank account, cash in ATMs, and cash at retailer till points."*

Together, these findings **confirm eZAR's capacity to bridge digital and traditional financial systems, advancing the goal of a unified, inclusive, and future-ready payments ecosystem.**

Specific Action Item Alignment

Action 5: Wider Payment Service Distribution and Access is advanced through eZAR's innovative distribution model, which *"enables businesses to partner with FSPs to provide branded, shared-custody smart wallet solutions to their users. These wallets are free, and in many instances, KYC reliance may be applicable, allowing them to be offered to almost every user instantly."* This model significantly broadens access to regulated financial services, empowering both established institutions and emerging fintechs to reach underserved markets efficiently.

Action 7: Alternative Merchant Payment Systems is addressed through eZAR's ability to *"enable merchants to help their customers obtain eZAR wallets quickly and free of charge, and to receive eZAR payments as an alternative to cards or cash, without the need for a point-of-sale (POS) device."* This capability enhances merchant inclusion by reducing costs, simplifying onboarding, and facilitating frictionless digital payments across both formal and informal retail environments.



Workshop seven explored merchant integration, demonstrating that *“spending with QR codes in-store and online is already possible, as eZAR is seamlessly redeemed in the back end to fund a card transaction on the market’s existing QR rails.”* Participants also examined forthcoming developments, including that *“a new eZAR QR rail is in development, which will settle eZAR directly to the merchant without incurring card acquiring costs.”*

These outcomes illustrate eZAR’s progression from integration with legacy systems toward the establishment of native payment rails. The workshop **validated eZAR’s current commercial utility while identifying future cost efficiencies** that are expected to drive merchant adoption and strengthen its role as a mass-market payment instrument.

Sector-Specific Implementation

The Digital Payments Roadmap identifies key economic sectors as priorities for digital payment modernisation. Action 10, which focuses on the digitisation of agriculture payments, is already being advanced through eZAR’s deployment within the sector. As noted in the PWG Report, *“eZAR FSPs are already providing eZAR-based wage and supplier payment functions to the agriculture sector, enabling a direct value chain where end-user purchases of produce in eZAR flow through to payments to distributors, farmers, workers, and suppliers, all in eZAR.”*

Action 11, addressing the digitisation of taxi and commuter payments, is similarly being implemented through eZAR partnerships. *“eZAR FSPs are already working with Taxi Unions and Commuter Organisations to support cashless commuter payments, including a specific closed-loop commuter utility token that uses the same technology and framework as the eZAR but is available exclusively for commuter transactions.”*

Together, these developments demonstrate how eZAR is enabling sector-specific digital transformation, supporting the Roadmap’s objective of extending digital payment capabilities across high-impact segments of the South African economy.

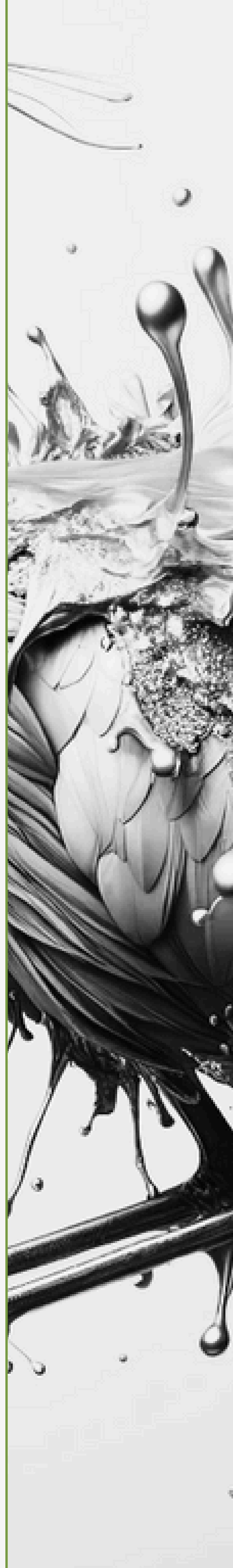


Technical Innovation and Interoperability

The eZAR system operates on a regulated, permissioned blockchain network in which all participants are licensed Financial Service Providers (FSPs). This structure ensures full regulatory compliance while supporting secure and innovative digital functionality. As described in the PWG Report, "All token transactions will be made on a regulated public permissioned network where each user has been KYC'd by a licensed FSP and where each wallet transaction is traceable to a Key Individual at a licensed CASP."

The network architecture is designed with interoperability and scalability at its core. Smart contracts facilitate atomic settlement between issuers, ensuring that each transaction maintains seamless integrity across the network. As the Report notes, *"In transactions between wallets issued by different eZAR partners, a smart contract ensures that as eZAR moves from one wallet to another, the rights to the collateral asset move from one issuer to another in an atomic transaction."*

This mechanism guarantees 100% collateral backing at all times while enabling instant, secure, and cross-issuer transfers within a fully regulated ecosystem. It establishes a technological foundation that combines the efficiency of distributed ledger systems with the rigour of regulated financial infrastructure.



This workshop examined business distribution models, exploring *"distribution through licensed Financial Service Providers (FSPs) partnering with businesses to provide their users with their own wallets and benefit from transaction savings."*

The outcomes validated eZAR's role as an **open-loop loyalty and rewards infrastructure, enabling businesses of all sizes to offer branded wallet solutions while sharing in the associated economic and transactional efficiencies**. This session demonstrated practical pathways for widespread business adoption, positioning eZAR as a scalable tool for enhancing customer engagement and operational efficiency beyond traditional payment processing.

KYC Innovation and Shared Compliance

One of eZAR's most significant innovations lies in its approach to shared Know Your Customer (KYC) compliance across the network. In traditional financial systems, each institution must conduct independent KYC processes, resulting in duplication, higher costs, and friction for both providers and customers. The eZAR framework addresses this challenge through the introduction of "soul-bound" KYC tokens, which enable the secure sharing of verified identity credentials while fully maintaining regulatory standards.

As detailed in the PWG Report, *"When an FSP performs KYC on one of its customers, that customer is issued with a KYC token, which includes the KYC status of the customer, the date, the entity responsible for the KYC, and various levels of verified identity information. This non-transferable, or 'soul-bound', token enables that wallet to transact on the network and allows the KYC to be relied upon by another network participant."*

This model reduces barriers to financial access while ensuring consistent compliance with regulatory obligations. Customers benefit by avoiding the need to repeatedly undergo KYC verification across multiple providers, and participating FSPs gain operational efficiency by relying on network-validated identity credentials, thereby fostering a more seamless and inclusive digital financial ecosystem.



Workshop 9 explored eZAR's advanced technical capabilities, demonstrating how *"the underlying smart Distributed Ledger Technology (DLT) of private keys and smart wallets, using Partially Signed Transactions (PST) cryptography, can be extended to process complex transactions such as variable-value payments and advanced authorisations."*

These findings highlight eZAR's potential as an **enabler of programmable finance, supporting sophisticated business logic and automated financial workflows that extend beyond simple payment functionality**. This capability reinforces eZAR's position as a secure, user-controlled platform for financial innovation, combining advanced cryptographic integrity with practical commercial applicability.

Economic Model and Sustainability: Commercial Incentives and Network Effects

The eZAR model creates sustainable commercial incentives for all participants through its yield distribution mechanism. Unlike traditional stablecoins where a single issuer captures all income from collateral reserves, eZAR distributes this income proportionally among participating issuers based on their customer holdings. This inclusive approach allows smaller fintechs to compete effectively with larger institutions while supporting a collaborative and balanced ecosystem.

The PWG Report explains the commercial model: *"As a community, fintechs and other Financial Service Providers (FSPs) all issue the same token. They can then compete in the market on products and services that they build for their customers, and the ability to issue a new form of money becomes an enabler for that competition."*

This structure encourages innovation in customer-facing financial products and services while sharing infrastructure costs across the network. It establishes a commercially sustainable foundation for regulated digital finance in South Africa.



The tenth workshop examined the broader economic implications of the eZAR model, *“looking beyond payments and exploring how sophisticated business functions from the Tier 1 retail environment can be extended into the second economy through the use of eZAR.”*

This workshop validated eZAR’s potential to bridge South Africa’s formal and informal economies, addressing the country’s dual economy challenge through technology that is accessible, compliant, and inclusive. The outcomes demonstrated how eZAR can **enable advanced financial capabilities to reach informal sector participants while maintaining interoperability with formal market systems, thereby supporting comprehensive financial inclusion objectives.**

Risk Mitigation and Stability

The multi-issuer model provides greater stability than single-issuer alternatives by distributing collateral management across multiple licensed entities, rather than concentrating risk within a single issuer. This structure reduces counterparty exposure and promotes shared accountability across the network. As noted in the PWG Report, *“All issuers of the coin benefit from its success, and the fact that there is a reduced counterparty risk in holding and using the stablecoin.”*

Backing the eZAR with money market fund assets ensures high-quality, liquid collateral that generates yield while maintaining price stability. This contrasts with stablecoin models that rely on less transparent or lower-quality reserves. The regulated status of all participants further strengthens system resilience through continuous supervision and compliance oversight.

Platform for Financial Inclusivity

Beyond basic payment functionality, eZAR acts as a platform for financial innovation. As the PWG Report notes, *“As well as acting as a new form of money in a conventional payments context, a stablecoin can be used in the settlement leg of crypto transactions, or in the settlement of tokenised asset transactions within a blockchain-based trading system.”* This platform approach supports the development of programmable payments, automated transactions, and integration with decentralised finance.



Regulatory Framework and Future Development

It is important to consider the current regulatory context in which eZAR operates. The eZAR functions within South Africa's existing regulatory framework, primarily under the Crypto Asset Service Provider (CASP) licensing regime established in 2022. The PWG Report confirms: *"The eZAR is a crypto asset, sold by FSPs who hold CASP licences, to their customers. These customers can use the eZAR to transfer value to other customers on the eZAR network."*

This regulatory positioning provides legal certainty while allowing innovation within established boundaries. The system has also been designed to anticipate future regulatory developments, particularly those relating to stablecoin-specific frameworks expected to emerge internationally. As the report notes, *"The eZAR mechanism works within the existing regulations and is also designed to align with what is becoming a global set of regulatory norms for fiat-backed stablecoins."*

Workshop 11: Additional Integration and Sector-Specific Applications

As previously detailed within the core workshop summaries, the PWG Report highlights extensive sector-specific exploration undertaken during the programme. In the agriculture sector, *"eZAR FSPs are already providing eZAR-based wage and supplier payment functions, enabling a direct value chain where end-user purchases of produce in eZAR flow through to payments to distributors, farmers, workers, and suppliers, all in eZAR."*

In the transport sector, *"eZAR FSPs are already working with Taxi Unions and Commuter Organisations to support cashless commuter payments, including a specific closed-loop commuter utility token that uses the same technology and framework as the eZAR."*

These sectoral applications demonstrate eZAR's practical reach and directly support SARB Digital Payments Roadmap Actions 10 and 11.



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Anticipated Regulatory Evolution

South African regulators are in the process of developing more sophisticated frameworks for digital assets and stablecoins. The PWG Report references forthcoming regulatory updates, noting that *“the SARB Digital Payments Roadmap highlights that the SARB and National Treasury are reviewing the National Payment Systems Act, and stablecoin-based systems would seem to fall squarely within their stated intentions.”*

The anticipated reforms include broader payment system access for non-bank entities and the formal recognition of digital payment instruments. The Roadmap further specifies that *“qualifying non-banks will be allowed to offer a full suite of digital payments independently, without the requirement to partner with banks.”*

This regulatory evolution will strengthen the legitimacy of digital financial systems and expand the potential impact of the eZAR model, positioning it as a compliant and forward-looking framework within South Africa’s evolving payments landscape.

International Regulatory Alignment

The eZAR model is closely aligned with emerging international best practices for stablecoin regulation. The PWG Report identifies several key requirements that eZAR already satisfies, including: *“demonstrable full backing of all stablecoins in issue with high-quality liquid assets; guarantees on redemption of stablecoins for commercial or central bank money; segregation of backing assets from bankruptcy through third-party custody; and strict KYC for stablecoin buyers.”*

This proactive alignment with global regulatory standards positions South Africa as a leader in responsible stablecoin innovation, while enhancing the potential for international interoperability and regulatory recognition.



The final workshop examined the long-term implications and platform development potential of the eZAR system, highlighting that *“the eZAR system serves as a platform for further innovation in additional services and assets, including cross-border payments and a much wider selection of tokenised financial assets.”*

This concluding session validated eZAR’s position as a **foundation for broader financial system modernisation, supporting integration with emerging SARB initiatives and enabling future expansion into tokenised asset ecosystems.**

Technological Evolution and Infrastructure Development

The eZAR Initiative serves as a foundation for broader financial system modernisation. The PWG Report outlines several technological advancements planned for 2025, including the introduction of offline payment functionality through UTXO technology integration and enhanced cross-border remittance capabilities.

The system’s modular architecture allows for continuous development and innovation without disrupting existing operations. Future enhancements include integration with emerging SARB digital identity systems and potential omnibus account access for central bank settlement.

Regional and International Expansion

The eZAR model has potential beyond South Africa, particularly within the Southern African Development Community region. The PWG Report highlights opportunities for *“creating multiple denominations of stablecoin to the same model as the eZAR,”* which naturally raises the question of exchange between these tokens.

Regional expansion could employ automated market maker technology for cross-currency exchange, similar to the Bank for International Settlements’ Project Mariana. This would enable an integrated regional digital payment system while preserving each country’s monetary sovereignty.



Deep-Dive: Addressing Financial Inclusion Challenges

South Africa presents a unique financial inclusion paradox. Although formal account ownership is relatively high, with 81% of adults holding bank accounts, meaningful financial engagement remains limited. Research shows that *“although the proportion of adults with a transaction account in South Africa is quite high, the average number of transactions by account holders is as low as three per month.”* This reflects a persistent pattern of **“access without usage,”** where individuals maintain accounts primarily to receive salaries or social grants, before withdrawing funds to transact in cash.

This challenge is most pronounced among vulnerable populations. The 2023 financial inclusion analysis found that *“68% of adults received assistance from either the state or their social networks, up from 37% in 2003,”* underscoring a growing reliance on informal support systems over formal financial services. When faced with financial strain, *“most South Africans turn to social networks or simply endure without assistance, while only a minority use formal financial mechanisms to manage these shocks.”*

eZARs Approach to Inclusion

The eZAR model addresses South Africa’s financial inclusion barriers through several innovative mechanisms validated during the workshop programme. Central to this approach is the elimination of the need for traditional bank accounts, with users instead gaining access to shared-custody smart wallets. As the PWG Report explains, *“The other key differentiation for the eZAR model is that it does not require users to open bank accounts. Access to accounts has been an impediment to financial inclusion for previous initiatives, including PayShap, since many individuals do not have accounts or do not make full use of them.”*

The wallet-based design offers significant advantages over conventional banking. Users retain full control of their wallets and must authorise all transactions, thereby avoiding the yield erosion through account fees that often discourages participation in formal financial systems. The report notes, *“A wallet balance is not therefore eroded by fees, which is one of the key issues for the mass market and conventional banking. The wallet is far cheaper to provide to a customer than a bank account is.”*

This model provides a low-cost, accessible, and user-controlled entry point into the regulated financial ecosystem, directly addressing long-standing barriers to inclusion.

Practical Implementation of Inclusion Goals

The eZAR framework directly advances the objectives of the SARB Digital Payments Roadmap through practical mechanisms validated during the workshop programme. For rural and underserved populations, this is most clearly demonstrated under Action 14: Women (rural) friendly remittances and payments. The eZAR implementation provides that *“eZAR is available to everyone, and users can obtain their own free smart wallet from any participating FSP. With no transaction fees on domestic transfers, and low-cost, instant cross-border remittance solutions, eZAR is an ideal partner for rural payments.”*

By **combining universal access, affordability, and efficiency**, eZAR strengthens financial inclusion for rural communities and supports the Roadmap’s broader goal of ensuring equitable participation in the digital economy.

Monetary Sovereignty and Anti-Dollarisation Strategy

The Cryptodollarization Threat

South Africa, like many emerging market economies, faces the growing threat of cryptodollarisation, the increasing adoption of US dollar-denominated stablecoins for everyday payments and savings. This phenomenon undermines monetary sovereignty by reducing demand for the local currency and limiting the effectiveness of central bank policy. The PWG Report warns that *“in South Africa, the overwhelming popularity of US dollar stablecoins compared to other cryptocurrencies is a very real concern, as the consistent majority of crypto instruments bought and sold daily across domestic cryptocurrency exchanges with rands are US dollar stablecoins that exceed transactions for Bitcoin, Ethereum, and other cryptocurrencies.”*

Recent European Parliament research confirms that this challenge extends globally, observing that *“USD stablecoins create severe risks for third countries” and that “dollar-pegged stablecoins may be highly attractive to citizens of countries with low levels of financial inclusion and unstable currencies.”* The research further notes that the widespread use of foreign currency stablecoins can “undermine the effectiveness of domestic monetary policy” and contribute to digital dollarisation, weakening national control over financial stability and currency demand.

Use Cases and Real-World Implementation

Merchant and Retail Integration

The eZAR system supports various levels of merchant engagement, from simple acceptance through existing payment rails to full participation in the digital ecosystem. For retailers seeking cost savings and stronger customer relationships, the platform offers flexible integration options.

Large retailers with established loyalty programmes can become eZAR issuers, capturing both transaction savings and collateral interest income. The PWG Report notes: *"These retailers become issuers of eZAR to their customers, for which they will require an FSP and CASP licence. As such, the retailer will benefit from the interest that accrues to the collateral MMF asset backing the eZAR in their customers' wallets."* This model allows retailers to fund loyalty rewards through cost efficiencies and yield income, creating sustainable incentives for customer engagement and retention.

Financial Services Applications

Beyond payments, the eZAR system enables a range of innovative financial service applications. Insurance providers can streamline operations by paying claims directly into customer wallets, earning interest on settlement funds until they are spent. As the PWG Report notes, *"Apart from the transaction cost saving, the insurer will continue to earn the interest on the backing collateral for eZAR payouts until that payout is spent."*

The system also extends to capital market applications through tokenised asset settlement. As financial markets increasingly adopt tokenisation, eZAR provides rand-based settlement capabilities that reduce reliance on foreign currency systems. The Report explains, *"Tokenised financial markets will only be able to achieve their full benefits if the money in those networks is tokenised, as well as the assets."*

Social and Government Payment Integration

The eZAR framework addresses key social and government payment challenges outlined in the SARB Digital Payments Roadmap, particularly Action 15: Digitisation of social and government payments. The PWG Report notes that *"eZAR provides every member of society access to digital payments without needing a bank account or mobile money wallet, and can make instant and direct payments to government, and receive instant and direct payments from government, completely free."* This capability is especially important given South Africa's large social grant system. Digital distribution through eZAR wallets can reduce costs, improve security, and enhance convenience for recipients while maintaining universal accessibility.

Policy Recommendations and Strategic Considerations

Regulatory Framework Enhancement

To fully realise the potential of the eZAR initiative, South African regulators should prioritise several key policy developments:

- First, the completion of the National Payment Systems Act amendments to explicitly recognise stablecoins as payment instruments, rather than investments like other crypto assets are generally considered, would provide much-needed legal clarity. The PWG Report observes that such recognition would allow stablecoins to *“be used in systems like the one described here with specific clarity on status.”*
- Second, the development of native token regulations enabling financial contracts to exist primarily in digital asset form would streamline the current En Commandite Partnership structure while preserving strong regulatory oversight. This evolution would align South Africa’s framework with international best practice and position the country as a leader in responsible digital asset regulation

Financial Inclusion Strategy Integration

The eZAR model should be incorporated into South Africa’s broader financial inclusion strategy, given its capacity to deliver banking-like services without traditional infrastructure. This makes it especially effective for extending access to underserved and remote populations. Policymakers should evaluate how eZAR’s capabilities can be leveraged to enhance social programmes and support inclusive economic development.

Furthermore, the system’s KYC sharing framework could be expanded to extend a national digital identity initiative, reducing compliance burdens across the financial sector while maintaining robust security and regulatory standards. Such integration would lower operational costs, minimise duplication, and deliver greater efficiency and convenience for both financial service providers and consumers.

Monetary Policy Coordination

The South African Reserve Bank should continue to:

- Advance regulatory and operational frameworks that integrate industry stablecoins such as eZAR with broader monetary policy objectives leveraging programmable money functionality to stimulate specific economic activities
- Review retail and wholesale central bank digital currency (CBDC) risks of competing with commercial bank liquidity, especially since the promised benefits of CBDCs seem to be achievable entirely through industry stablecoins like eZAR, which direct reserve liquidity across multiple commercial banks through regulated Money Market Funds.

Moreover, strategic coordination between eZAR development and ongoing SARB initiatives, such as the Payments Ecosystem Modernisation (PEM) programme, is essential to maximise systemic efficiency and avoid duplication of effort. The inherently complementary nature of these initiatives presents a strong opportunity for mutual reinforcement, enabling South Africa to advance a cohesive, future-ready digital financial ecosystem that balances innovation, stability, and inclusion.



Conclusion: Workshop-Validated Transformation

The FINASA Payments Working Group's twelve-workshop program provides comprehensive evidence that the eZAR multi-issuer stablecoin represents a transformative approach to financial innovation that addresses critical challenges in South African financial services while supporting broader economic and policy objectives.

The systematic workshop exploration validated:

- Technical feasibility through real-world testing of blockchain infrastructure, smart contracts, and regulatory compliance mechanisms
- Commercial viability through demonstration of sustainable business models that benefit all participants
- Regulatory compliance through operation within current frameworks while preparing for future evolution
- Social impact through practical validation of financial inclusion across multiple economic sectors
- Strategic alignment with SARB Digital Payments Roadmap objectives through specific action item implementation

The workshop-by-workshop progression from basic concepts (Workshop 1: Responsible User Service) to advanced applications (Workshop 12: Platform Evolution) demonstrates both theoretical potential as well as practical readiness for implementation. Each workshop built upon previous learnings while exploring new possibilities, creating a comprehensive validation of eZAR's multifaceted role in South Africa's financial future.

Conclusion (Continued)

The seven key functions of eZAR identified in the program are thoroughly validated through workshop evidence:

- **Neo-Money Alternative:** Workshops 2–4 validated parity, liquidity, and interoperability
- **Core Neo-Banking Platform:** Workshops 3, 8 validated commercial models, and business enablement
- **Neo-Bank Network:** Workshops 1, 4 validated shared compliance and cross-issuer functionality
- **Regulated Interoperability Layer:** Workshop 5 validated crypto asset exchange capabilities
- **Mass Market Payment Tender:** Workshops 7–8 validated merchant integration pathways
- **Open-Loop Loyalty Infrastructure:** Workshop 8 validated business reward mechanisms
- **Tokenised Inter-Bank Settlement Framework:** Workshop 12 validated platform evolution toward tokenised deposits

The eZAR initiative stands as a pivotal milestone in South Africa's industry journey toward financial modernisation. Its strong alignment with the SARB's Digital Payments Roadmap, its practical solutions to financial inclusion challenges, and its capacity to counter the growing threat of cryptodollarisation collectively position it as a transformative contribution to the country's evolving financial ecosystem. The system's platform-based architecture allows for continuous innovation and expansion while preserving stability and regulatory integrity.

eZAR initiatives demonstrate how emerging technologies can be effectively harnessed to advance broad social and economic objectives without compromising the integrity of national monetary systems.

The comprehensive nature of the eZAR model offers a replicable framework for other emerging market economies pursuing digital transformation and financial modernisation. As the initiative progresses through 2025 and beyond, it is likely to serve as a defining case study in the effective integration of blockchain technology within established financial and regulatory systems.

Ultimately, through collaboration between industry participants, regulators, and technology providers, the eZAR initiative exemplifies how innovative financial technology can achieve both commercial viability and public good, fostering sustainable financial inclusion and monetary sovereignty in the digital age.