



GOVERNMENT GAZETTE

OF THE

REPUBLIC OF NAMIBIA

N\$2.40

WINDHOEK - 6 July 2007

No. 3872

CONTENTS

GENERAL NOTICES		<i>Page</i>
No. 183	Bank of Namibia: Directive under the Payment System Management Act, 2003 (Act No. 18 of 2003)	1
No. 184	Bank of Namibia: Determination under the Payment System Management Act, 2003 (Act No. 18 of 2003)	4

General Notices

BANK OF NAMIBIA

No. 183 2007

**DIRECTIVE UNDER THE PAYMENT SYSTEM MANAGEMENT ACT, 2003
(ACT NO. 18 OF 2003)**

In my capacity as Governor of the Bank of Namibia (The Bank), and under the powers vested in the Bank by virtue of section 13 of the Payment System Management Act, 2003 (Act No. 18 of 2003), I hereby issue the Directive on the conduct within the National Payment System in Namibia (PSDIR-1), which Directive shall become effective on 31 December 2007.

T.K. ALWEENDO
GOVERNOR

Windhoek, 29 June 2007

DIRECTIVE ON THE CONDUCT OF EFT TRANSACTIONS WITHIN THE NATIONAL PAYMENT SYSTEM

Overview

One of the key objectives of the Namibia National Payment System reform project is to redirect the domestic payments out of the South African Payment System so they are to be cleared locally and settled in Namibia Inter-bank Settlement System (NISS). Traditionally clearing between Namibian Banking Institutions was performed as an integral part of the South African Clearing process and system. With Namibia becoming an own sovereign state the Namibian Banking Industry was required to establish its own independent settlement system called NISS (Namibian Inter-bank Settlement System). In addition Namibia was required to manage and control its own domestic exposure and risks. As a first step to achieve this goal a local clearing house called Namclear was established in 2003 and since then both the EFT and cheque clearing and settlement of domestic transactions have been localized. As a next and final step an industry project is in progress to localize all domestic card transactions.

At this point in time, numerous large corporate companies operating in both Namibia and South Africa submit their Namibian domestic transactions as part of their South African batches and as a result these transactions are seen as cross border transactions and they are not included in the Namibian Clearing and Settlement process. As a result, part of the Namibian domestic exposure and risk remains in the South African system due to the fact that the Namibian Clearing and Settlement process is bypassed. This practice is strongly discouraged by the South African Reserve Bank and by the Bank of Namibia.

From a regulatory and Namibian risk perspective this is unfortunately not acceptable and notice is hereby given to all contravening parties to effect and implement the necessary system changes within a period of 6 months from date of issue of this directive to submit all Namibian domestic EFT transactions via a Namibian Banking Institution.

1. Purpose

The purpose of this directive is to notify all companies and contravening parties that they should effect and implement the necessary system changes and submit all Namibian domestic EFT transactions via a Namibian Banking Institution for clearing in the payment clearing house before final settlement in NISS.

2. Position of the Bank

Since the establishment of Namclear, and the subsequent implementation of Namibia Electronic Funds Transfer System (EFT) on 14 June 2004, the requirement from the Bank has been that all domestic EFT transactions be cleared through Namclear and settled in NISS at the Bank of Namibia. The Bank considers any practice that does not meet this requirement as contrary to the National Payment System reform objectives, efficiency and cost-effectiveness.

3. Definitions

In this Directive, unless the context indicates otherwise, the words and expressions used herein shall have same meaning assigned to them in the Payment System Management Act, 2003 (Act No. 18 of 2003) and cognate expressions shall have corresponding meanings.

- 3.1 'CMA (Common Monetary Area) cross-border payments' means payments to a company that is not registered in Namibia but has a collection/debit order agreement with account holders of authorised Namibian banking institutions.
- 3.2 'NISS' means Namibia Inter-bank Settlement System which facilitates the settlement of all domestic transactions in Namibia dollar at Bank of Namibia.
- 3.3 'Namclear' means Namibian clearing services company; company number 2005/0645 and incorporated on 20 November 2003.
- 3.4 'Namibian companies' means companies registered in Namibia under the Companies Act, 1973 (Act No. 61 of 1973)¹.
- 3.5 'EFT' means Electronic Funds Transfer System.
- 3.6 'Namibian domestic transaction' means any funds transfer (EFT, cheque, card or other) conducted between any Namibian bank account (customer) and any Namibian registered company, including a holding company and/or subsidiary company registered in Namibia.

4. Implementation of Directive

- 4.1 This directive shall be effective from 31 December 2007.
- 4.2 It is required from companies to implement necessary (payment processing) changes and infrastructure to facilitate collection and clearing of payment instructions through Namclear for settlement in NISS by 31 December 2007.

5. General

- 5.1 This directive is not exhaustive and may be supplemented and/or amended from time to time.
- 5.2 In order to maintain cost-effective and efficient National Payment System, all Namibian registered companies that are, or become involved in collection of funds from Namibian account holders are obliged to act in accordance with this directive.
- 5.3 Contravention of this directive is an offence in terms of section 13 of the Payment System Management Act, 2003 (Act No. 18 of 2003).
- 5.4 Persons who are uncertain as to whether their current or future business practice is aligned with this directive should initiate discussion with their banking institution or with the Banking Supervision Department of the Bank of Namibia to clarify the matter.

¹ To be replace soon

6. Enquiries

Any enquiries or clarification concerning the directive may be address to:

DIRECTOR: BANKING SUPERVISION DEPARTMENT
BANK OF NAMIBIA
PO BOX 2882
71 ROBERT MUGABE AVENUE
WINDHOEK
TEL: +264-61-2835111
FAX: +264-61-283

BANK OF NAMIBIA

No. 184

2007

**DETERMINATION UNDER THE PAYMENT SYSTEM MANAGEMENT ACT,
2003 (ACT NO. 18 OF 2003)**

In my capacity as Governor of the Bank of Namibia (The Bank), and under the powers vested in the Bank by virtue of section 14 of the Payment System Management Act, 2003 (Act No. 18 of 2003), I hereby issue the determination on issuing of a payment instrument in Namibia (PSD-1), which Determination shall become effective on 28 September 2007.

T. K. ALWEENDO
GOVERNOR

Windhoek, 29 June 2007

DETERMINATION ON ISSUING OF A PAYMENT INSTRUMENT

Overview

The proclamation of the Payment System Management Act, 2003 (Act No. 18 of 2003) conferred on the Bank of Namibia, powers to authorize eligible persons to issue payment instruments to their customers for purchases of goods and services. Payment instruments are required to be authorized in order to ensure that they comply not only with national standards but also with international standards in order to anticipate, identify, minimize and manage payment system risks, together with its suitability in the national interest.

The involvement of central banks concerning issues related to payment instruments has received prominence in recent years. Payment instruments are used to undertake payment transactions that are cleared in payment clearing systems and settled in central bank money. Central banks are therefore involved and interested in issues related to payment instruments by putting in place policies and procedures aimed at reducing payment system risks thereby ensuring that the general public access their funds expeditiously in order to undertake economic activities.

1. Purpose

This determination states the minimum requirements that potential issuers of payment instruments shall meet before issuing a payment instrument in Namibia.

2. Application of the Determination

This determination shall apply to all persons who intend to issue a payment instrument in Namibia in terms of section 5 of the Payment System Management Act, 2003 (Act No. 18 of 2003). Payment system participants as defined in the Payment System Management Act shall only seek authorization for issuing e-money or similar new payment instrument. Current payment instrument issuers shall be subjected to an assessment process, based on this determination, in order to ensure compliance with minimum requirements for issuing payment instruments in Namibia.

3. Definitions

- 3.1 'Payment instrument' means; a designated instrument, whether tangible or intangible, that enables a person to obtain money, goods or services or to otherwise make payment. Payment instruments covered by this determination include but are not limited to: debit card, credit card, e-money, and cheque.
- 3.2 'National Payment System' means the payment system as a whole as defined in the Payment System Management Act, 2003 (Act No. 18 of 2003).
- 3.3 'the Bank' means Bank of Namibia.
- 3.4 'E-money' means; stored value or prepaid products in which a record of the funds or value available to the consumer is stored on a device in the consumer's possession. A stored value card contains an application that stores a record of funds or value available to the consumer. The amount of stored value is increased or decreased, as appropriate, whenever the consumer uses the device to undertake a purchase or other transactions.
- 3.5 'E-money scheme' means; e-money payment technology that enables payment for low value goods and services with the use of e-money. An example of e-money is the smart card.
- 3.6 'Float' occurs when there is a delay in the clearing of payments. It is most visible in the time delay between when a customer uses a payment instrument at the point-of-sale and when the funds to cover that payment are actually credited to the beneficiary's account.
- 3.7 'Active e-money instrument' means; an instrument that is actively being used by customer for purchases of goods and services.
- 3.8 'Debit card' is usually used for non-recurring electronic funds transfers at the point of sale (EFTPOS) to initiate payment to the vendor with an immediate debit to the cardholder's account. Debit card performs other services, such as automated teller machine (ATM) withdrawals.
- 3.9 'Credit card' means a card holder has been granted a credit line, enabling the holder to make purchases and/or draw cash up to a prearranged limit.
- 3.10 'Cheque' essentially instructs the payer's financial institution to debit the payer's account for a specified amount and either to transfer that value to the payee's financial institution for credit to the payee's account or to pay out cash.
- 3.11 'Credit transfer' means payment initiated by the payer made for the purpose of placing funds at the disposal of the beneficiary.

- 3.12 'Debit transfer' means payment initiated by the payee, usually through a preauthorized agreement with the payer.
- 3.13 'Pre-paid product (card)' means product or card loaded with a given value, paid for in advance.

4. Designation of Payment Instrument

- 4.1 Where the Bank of Namibia is of the opinion that:
- 4.1.1 a payment instrument is or may be in use as a means of undertaking payments that may affect the payment systems of Namibia; and
- 4.1.2 it is necessary to protect the interest of the public or it is necessary to maintain the integrity, efficiency and reliability of a payment instrument within the payment system, the Bank of Namibia may prescribe such payment instrument as a designated payment instrument.
- 4.2 Where a payment instrument is prescribed as a designated payment instrument, the issuer of such a designated payment instrument shall comply with the requirements within such period as the Bank of Namibia may specify.

5. Minimum requirements for issuing payment instrument in Namibia

The following documents and information shall be submitted to the Bank by any person applying to issue a designated payment instrument:

- 5.1 a certified true copy of its memorandum and articles of association or other constituent documents under which it is established;
- 5.2 a certified true copy of its certificate of incorporation or business registration in Namibia;
- 5.3 a certified true copy of its latest audited financial statements;
- 5.4 the following information and supporting documents on the issuer:
- 5.4.1 the name, place and date of its establishment;
- 5.4.2 the principal business and field of operations;
- 5.4.3 the names, addresses and identity card or passport numbers of all directors and chief executive officer;
- 5.4.4 if it is a company, the names and addresses of its substantial shareholders and its related corporations; and
- 5.4.5 if it is a company, the names and addresses of its shareholders, partners or other persons having ownership by whatever name called;
- 5.5 any approval, authorization, license or permit from other regulatory authorities;
- 5.6 the following information and supporting documents relating to the designated payment instrument;

- 5.6.1 the name, functionally and detailed description of the designated payment instrument , including payment flows and settlement arrangements;
- 5.6.2 a description of the intended users and the intended location of use;
- 5.6.3 rules and procedure setting out the rights and liabilities of the issuer and the user and the risks the user may incur, including the terms and conditions of use. For example the user shall be informed about the validity, value limit and transaction costs related to the payment instrument;
- 5.6.4 measures for the management of the funds collected from the user, including measures that ensure that such funds are available for repayment to the user;
- 5.6.5 measures that ensures the safety, security and operational reliability of the designated payment instrument including contingency arrangements;
- 5.6.6 fees and charges imposed by the issuer;
- 5.6.7 outsourcing arrangements, if any;
- 5.6.8 The scheme shall provide for arbitration and dispute resolution mechanisms between issuer and user;
- 5.6.9 Description of the organization of the scheme shall be clearly stated to include: ownership, governance, roles, responsibilities, rights and obligations and interrelationship among participants, including payment clearing houses, switching operators, merchants, participating vendors, etc.
- 5.6.10 There shall be a provision of payment settlement not more than 24 (twenty four) hours during business days after a payment instruction has been cleared;
- 5.6.11 An indication whether the payment instrument shall facilitate domestic or cross border payments or both shall be provided;
- 5.6.12 Details on the impact of technical and operational procedures of the scheme on existing clearing and settlement systems, particularly regarding compatibility and connectivity shall be given;
- 5.6.13 An indication whether the scheme shall accommodate both on and off-line services to its participants shall be provided;
- 5.6.14 There shall be a complete audit trail or transaction processing cycle - initiation, clearing, settlement and payment finality;
- 5.6.15 A description of data and information management to ensure confidentiality of transactions and customer data shall be provided, and
- 5.6.16 The issuer of a payment instrument shall not contravene the Banking Institution Act, or any relevant legislation¹.

¹ For example there shall be no float holding and interest earning on float.

6. Specific requirements for issuing e-money in Namibia

- 6.1 The scheme shall put in place measures to cater for the prevention of fraudulent acts including money laundering and other criminal activities in line with the Financial Intelligence Act.
- 6.2 The scheme shall provide a clear description of the origination of electronic value (source and means of loading), validity or time limits.
- 6.3 The e-money issuer shall set a daily limit of e-money available to the holder on the electronic money instrument.
- 6.4 The management of the underlying float shall be clearly documented.
- 6.5 Issuers of electronic money shall be legally obliged to redeem electronic money against central bank money at par at the request of the holder of the electronic money.
- 6.6 Risk management measures embedded into the scheme, particularly but not exclusive to control credit, liquidity, operational, settlement, reputational, foreign exchange and legal risks shall be provided.
- 6.7 The scheme shall provide its change management strategy for the systems.
- 6.8 Detailed account of the fees, charges and commissions to participants, as well as charges payable to service providers, such as clearing houses, switch operators and participating vendors shall be provided.
- 6.9 New and future developments associated with such a scheme that would include but not be limited to, electronic commerce, secure electronic transfers on the internet, etc. shall be provided. This is intended to inform the regulator of future developments envisaged.
- 6.10 There shall be a clear business plan that outlines, among other things, the overall implementation plan, automation strategies and capacity building plan.
- 6.11 The implementation plan shall have a controlled mandatory pilot phase.
- 6.12 The scheme shall encourage technological interoperability at national and international level and shall be in line with international standards developed by international standardization bodies and payment industry groupings.
- 6.13 The scheme shall ensure that the funds available on an e-money card do not earn interest thereby not violating the Banking Institutions Act.
- 6.14 There shall be liquid asset guarantee in the form of cash, deposits, etc. to compensate holders of e-money issued in cases where the issuer is unable to satisfy claims against it in relation to e-money.

7. Fees payable

The following fees shall be payable by issuers of a payment instrument. All the fees shown here-below are mandatory and non-refundable.

Table: Fees payable	
Fee Name	Amount in N\$
Application	5,000
Authorization	10,000

8. Submission of information by payment instrument issuer

Issuers of a payment instrument shall be required to submit statistics on payment instrument activity and other statistics, on monthly basis, in accordance with the appended PSD-1 form. The statistics for the reporting month shall reach the Bank within 26 business days of the following month. For example, statistics for October shall reach the Bank before or on the 26 of November. The information submitted will enable the Bank to carry out its oversight responsibility on payment instruments in line with the oversight framework.

9. Suspension of the authorization

The Bank shall suspend an authorization to issue a payment instrument under any of the following circumstances:

- 9.1 The owner is carrying on business in a manner which is detrimental to the stability of the National Payment System or is incapable of providing services as per agreed service level standards;
- 9.2 There is violation of any of the provisions of this determination and other laws and regulations issued by the Bank; and/or
- 9.3 Any other circumstances that the Bank considers material to warrant suspension.

The Bank of Namibia will ensure that all due diligence processes are followed before suspension of a payment instrument issuer is instituted.

10. Cancellation of the authorization

The Bank may cancel an authorization to issue a payment instrument under the following circumstances:

- 10.1 The owner fails to comply with this determination and remedial measures required by the Bank following an inspection of the affairs of the payment instrument money issuer;
- 10.2 It is determined that an authorization was obtained on the strength of misrepresented, inaccurate or misleading information furnished to the Bank at the time of application;
- 10.3 There is violation of any of the provisions of this determination and Payment System Management Act, 2003 (Act No. 18 of 2003);
- 10.4 The scheme is considered not to be conducive to the national interest of Namibia;
- 10.5 The owner ceases to operate or becomes insolvent; and/or
- 10.6 Any other circumstances that the Bank considers material to warrant cancellation.

11. Enquiries

All enquiries related to this determination shall be forwarded to:

THE DIRECTOR: BANKING SUPERVISION DEPARTMENT
 BANK OF NAMIBIA
 P.O BOX 2882
 71 ROBERT MUGABE AVENUE
 TEL: +264-61-2835111
 FAX: +264-61-2835228

PSD-1 Form: Monthly reporting of payment instrument statistics²
 (Confidential and not available for inspection by the public)

Name of payment instrument issuer:	
Name of responding official:	
Designation of responding official:	
Signature of responding official:	
Year:	
Month being reported:	
Telephone No:	
E-mail address:	
Date:	
	Transactions/Facilities
Number of Debit Card transactions	
At POS	
At ATM	
Other	
Total	
Number of Debit Cards - by function	
Single Wallet	
Multiple Wallets (Hybrid)	
Total	
Value of transactions on Debit Cards	
At POS (N\$'000)	
At ATM (N\$'000)	
Other (N\$'000)	
Total (N\$'000)	
Number of e-money transactions	
At POS	
At ATM	
Other	
Total	

² Where statistics, for example on cheque transactions, can be obtained from a payment system service provider like Namclear, a payment system service provider not a payment system participant shall provide such statistics to the Bank of Namibia.

Value of transactions on e-money cards	
At POS (N\$'000)	
At ATM (N\$'000)	
Other (N\$'000)	
Total (N\$'000)	
Total e-money loaded on e-money cards (N\$'000)³	
Number of active e-money cards - by function	
Single Wallet	
Multiple Wallets (Hybrid)	
Total	
Number of Credit Card transactions	
At POS	
At ATM	
Other	
Total	
Value of transactions on Credit Cards	
At POS (N\$'000)	
At ATM (N\$'000)	
Other (N\$'000)	
Total (N\$'000)	
Number of Credit Cards - by function⁴	
Single Wallet	
Multiple Wallets (Hybrid)	
Total	
Number of Cheque transactions	
On-us	
Off-us Total	
Value of transactions on Cheques	
On-us (N\$'000)	
Off-us (N\$'000)	
Total (N\$'000)	
Number of Direct Funds Transfers	
Credit transfers	
Debit transfers	
Total	
Value of Credit Transfers	
On-us (N\$'000)	
Off-us (N\$'000)	
Total (N\$'000)	
Number of Credit Transfers	
On-us	
Off-us	
Total	
Value of Debit Transfers	
On-us(N\$'000)	
Off- us(N\$'000)	
Total(N\$'000)	

³ This is monthly amount.

⁴ Includes general-purpose credit cards and speciality cards.

Number of Debit Transfers	
On-us	
Off-us Total	
Number of Point-of-Sale devices (POS) - by institution	
Issuer	
Acquirer	
Number of Point-of-Sale devices (POS) - by type	
E-money	
Other payment instruments	
Hybrid	
Number of Automated Teller Machines (ATM)⁵	

⁵ Includes all types of ATMs
