



GOVERNMENT GAZETTE

OF THE

REPUBLIC OF NAMIBIA

N\$4.00

WINDHOEK - 1 February 2016

No. 5940

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General Notice

BANK OF NAMIBIA

No. 4

2016

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

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), as amended, I hereby issue this **Determination on the Reduction of the Item limit for Domestic Cheque Payments within the Namibian National Payment System (PSD-2)**, which shall become effective on **1 February 2016**.

I. SHIMI
GOVERNOR

Windhoek, 12 January 2016

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PART I: PRELIMINARY**1. Short Title**

Reduction of the domestic cheque item limit to N\$100,000.

2. Authorization

Authority for the Bank to issue this Determination is provided in Section 14 of the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended.

3. Application of the Determination

This determination applies to all banking institutions, Namclear, businesses and individuals that issue, accept and process domestic cheque payments within the Namibian National Payment System.

4. Definitions

Terms used in this determination are as defined in the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended. Terms unique to this determination are defined as follows:

- 4.1 'The Act' means the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended.
- 4.2 'Cheque' means a bill drawn on a bank payable on demand.
- 4.3 'Domestic cheque' means a cheque issued from a Namibian account for payment to a Namibian account.
- 4.4 'Item limit' means the maximum value for which a cheque can be legally issued, processed and cleared within the Namibian National Payment System.
- 4.5 'Nameclear' means the company authorized by the Payment Association of Namibia to provide clearing services in Namibia and operating as payment system service provider as defined in the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended.
- 4.6 'Payments Association of Namibia (PAN)' means the payment system management body in terms of the Act.

PART II: STATEMENT OF POLICY

5. Background

- 5.1 The banking industry, through the Payments Association of Namibia (PAN), decided to reduce the cheque item limit from N\$500,000 to N\$100,000 effective from 1 February 2016. This decision is supported by the Bank of Namibia.
- 5.2 The main reasons cited for this decision are the ongoing decline in the number of cheques used as a payment method; the uncertainty of payment receipts; and the possibility of fraud escalation of cheque processing transaction costs in a declining volume environment. The reduction of the cheque item limit will lead to greater efficiency as no uncleared effects are associated with alternative payment methods such as Electronic Funds Transfers (EFT) and card payments.
- 5.3 The emphasis by the industry is to focus more on aligning customers' and businesses' behaviour towards the usage of alternative payment methods. As a possible action plan, the industry will reduce the cheque item limit, thereby obliging the existing cheque users to initiate payments through alternative payment methods. The products that are available to the customers include but are not limited to mobile banking, internet banking, electronic money, money transfers.
- 5.4 Thus, rather than hampering the operations of businesses and individuals, especially in the short-term, cheques will still be accepted but only at a lower limit as from 1 February 2016 to 31 December 2017 when cheques would be phased out altogether.
- 5.5 For more information customers should contact their individual banking institutions to obtain the relevant information on product and service offerings.

6. Purpose

This determination effects a reduction of the domestic cheque item limit from N\$500,000 to N\$100,000 within the National Payment System.

7. Scope

This determination obliges Namclear, banking institutions, businesses and individuals to note and to make the necessary system and business process changes not to issue, accept or process domestic cheque payments in excess of N\$100,000.

8. Responsibility

8.1 Banking institutions, Namclear, businesses and individuals shall be responsible for the implementation of item limit of N\$100,000 for domestic cheque payments.

8.2 Banking institutions are required to make alternative payment means available to their customers to process payments in excess of N\$100,000.

PART III: IMPLEMENTATION REQUIREMENTS**9. Implementation Requirements**

With regard to implementation of this determination, it is required that-

9.1 The banking institutions shall sensitize, inform and educate their cheque account holders well in advance not to issue domestic cheques above the item limit.

9.2 No person shall be allowed to split cheque payments into units of N\$100,000 or less, such that multiple cheques are issued for the settlement of the same transaction to circumvent this determination.

9.3 Businesses and individuals in Namibia shall consult with their banking institutions in order to determine how payments should be effected where such payments exceed N\$100,000 per item.

PART IV: REMEDIAL MEASURES**10. Remedial Measures**

If any person fails to comply with the provisions of this determination, the Bank may impose remedial measures through the issue of a Directive as provided for under the Act.

PART V: EFFECTIVE DATE**11. Effective Date**

This determination shall come into effect on 1 February 2016.

12. Repeal of PSD-2

This Determination repeals and replaces the determination on the reduction of the item limit for domestic cheque payments within the Namibian National Payment System (PSD-2), published under General Notice No. 255, in the Government Gazette No. 4364 issued on 23 October 2009.

PART VI: GENERAL AND ENQUIRIES**13. General**

- 13.1 This determination is not exhaustive and may be supplemented and/or amended from time to time.
- 13.2 Any person that is uncertain of the contents of this determination should initiate discussions with their local banking institution failing which they can contact the Payment and Settlement Systems Department of the Bank of Namibia to clarify the matter.

14. Enquiries

All enquiries related to this determination shall be forwarded to:

The Director: Payment and Settlement Systems Department
Bank of Namibia
P.O Box 2882
71 Robert Mugabe Avenue.
