



GOVERNMENT GAZETTE

OF THE

REPUBLIC OF NAMIBIA

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No. 181 Determination under the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended 1

General Notice

BANK OF NAMIBIA

No. 181

2022

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 under Section 14 of the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended, I hereby issue this Determination on Card Interchange and ATM Surcharging (PSD-11). This Determination shall become effective on 1 October 2022.

J. !GAWAXAB
GOVERNOR
BANK OF NAMIBIA

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PART I: PRELIMINARY

1. **Short Title** – Card Interchange and ATM Surcharging
2. **Application** – This Determination shall apply to all card participants and payment service providers in the National Payment System.
3. **Definitions** – In this Determination, unless the context otherwise indicates, the words and expressions used herein shall have the same meaning assigned to them in the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended, and cognate expressions shall have corresponding meanings:
 - 3.1 “Act” means the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended.

- 3.2 “Acquirer” means a domestic financial institution that contracts with a merchant to accept payments for goods and services from interoperable payment cards.
 - 3.3 “ATMs” means domestic interoperable automated teller machines.
 - 3.4 “ATM surcharging” means the practice by an issuer of charging their customer a fee each time the customer uses an ATM operated by a financial institution other than the issuer.
 - 3.5 “Off-us ATM withdrawal fee” means the fee determined by the Bank that an issuer can charge their customer each time the customer withdraws cash from an ATM operated by a financial institution other than the issuer.
 - 3.6 “Card participants” means banking institutions and non-bank financial institutions, including their agents, that issue and/or acquire payment cards and provide ATM payment services in the National Payment System.
 - 3.7 “Cash back” means a facility offered by retailers in collaboration with a card participant whereby a customer may withdraw cash when making a purchase using a payment card.
 - 3.8 “Credit card” means an interoperable payment card with a pre-set credit limit issued to a customer by an issuer to be used at payment card channels and ATMs.
 - 3.9 “Debit card” means an interoperable payment card linked to a banking account issued to a customer by an issuer to be used at payment card channels and ATMs.
 - 3.10 “Fuel transactions” means all payment card purchases of fuel.
 - 3.11 “Hybrid card” means an interoperable payment card linked to a banking account with a dual messaging functionality issued to a customer by an issuer to be used at payment card channels and ATMs.
 - 3.12 “Interchange rate” means the rate computed by the Bank intended to compensate the issuer for the cost of performing work to facilitate a transaction performed at a payment card channel.
 - 3.13 “Issuer” means a domestic financial institution that issues interoperable payment cards that can be used at payment card channels and ATMs.
 - 3.14 “Payment card channels” means traditional brick-and-mortar point-of-sale (POS) devices, electronic commerce websites, mobile commerce devices and other digital channels where an interoperable payment card can be used.
 - 3.15 “Retail transactions” means all payment card purchases of goods and services (excluding fuel transactions).
 - 3.16 “Reverse interchange rate” means the rate computed by the Bank intended to compensate the acquirer of an ATM for the cost of accepting and processing a transaction from a payment card issued by another financial institution. This definition extends to the cash back portion of a point-of-sale transaction.
4. **Authorisation** – Authority for the Bank to issue this Determination is provided in section 14 of the Act.

PART II: STATEMENT OF POLICY

5. **Purpose** – This Determination provides the card interchange rates and ATM surcharging fees for interbank card transactions in the National Payment System, as determined by the Bank.
6. **Scope** – This Determination applies to all card participants involved in the processing of interbank card transactions from various payment card channels and ATMs. The card interchange rates contained herein apply to all interbank card types such as debit, credit, and hybrid cards, used at various payment card channels and ATMs.
7. **Position of the Bank** – In line with the mandate as per the amended section 2 of the Act, the Bank has resolved to independently revise the card interchange rates in the National Payment System and to determine the ATM surcharging fees for off-us ATM withdrawals and balance enquiry. It is the Bank’s position that interchange encourages the development and introduction of interoperable payment systems that ultimately provide end-users with access to a wide range of payment services. Additionally, ATM surcharging should be regulated to fairly compensate issuers for incurring reverse interchange as well as to promote competition in the provision of ATM services while ensuring that the fees imposed on the end-users are in the public’s interest.
8. **Application of the Act** – Unless expressly stated otherwise, the provisions of the Act, as well as the related Determinations, Guidelines and Directives, shall apply to card participants in the National Payment System.

PART III: IMPLEMENTATION AND SPECIFIC REQUIREMENTS

9. **Card Interchange Rates**

9.1. The Bank’s Approach to Determine Interchange Rates

- 9.1.1. The Bank conducted an interchange costing exercise by collecting cost information related to the provision of interbank card payment services by the card participants in the National Payment System. The cost information was validated, analysed, and used to derive cost-based interchange rates for debit, credit, and hybrid card transactions at payment card channels and ATMs.

9.2. Interchange for Retail and Fuel Card Transactions

- 9.2.1. The following interchange rates are to be implemented for transactions at all payment card channels:

Card Interchange for Retail Transactions	Rates
Debit card	0.50%
Hybrid card	0.90%
Credit card	1.60%
Card Interchange for Fuel Transactions	Rates
Debit card	0.50%
Hybrid card	0.80%
Credit card	0.80%

9.3. Interchange for Cash Back Transactions

9.3.1. Interchange for the cash back portion qualifies as reverse interchange as it will be paid by the issuer to the acquirer, while the point-of-sale (POS) purchase portion interchange will be paid by the acquirer to the issuer. The following interchange rates are to be implemented for cash back transactions:

	Debit card	Credit card	Hybrid card
Cash back portion	N\$0.90	N\$0.90	N\$0.90
POS purchase portion	Refer to section 9.2.1 above.	Refer to section 9.2.1 above.	Refer to section 9.2.1 above.

9.4. Reverse Interchange for ATM Financial Transactions

9.4.1. Financial transactions at ATMs involve the movement of funds. The reverse interchange rates for ATM financial transactions are as follows:

Successful Transaction	Rate
ATM Withdrawal	N\$3.00 plus N\$0.60 per N\$100
Unsuccessful Transaction	Rate
ATM Withdrawal	N\$3.60

9.5. Reverse Interchange for ATM Non-Financial Transactions

9.5.1. Non-financial transactions at ATMs do not involve the movement of funds. The reverse interchange rates for ATM non-financial transactions are as follows:

Non-Financial ATM Transaction	Rates
Balance enquiry	N\$0.50
Invalid PIN	N\$0.50
Excess PIN tries	N\$0.50
Negative card	N\$0.50
Access restricted	N\$0.50
Expired card	N\$0.50
Invalid transaction	N\$0.50
Insufficient funds	N\$0.50
Withdrawal balance	N\$0.50
Daily limit exceeded	N\$0.50
Excess daily limit withdrawal	N\$0.50
Transaction cancelled	N\$0.50
Foreign card	N\$0.50

Own Financial Institution (Issuer) Errors	Rates
Host unavailable	N\$0.50
Invalid PAN	N\$0.50
Unable to process	N\$0.50
Denied	N\$0.50
Invalid PIN block	N\$0.50
Balance unavailable	N\$0.50
Slow authorisation	N\$0.50
Invalid data	N\$0.50
No reply	N\$0.50
Other Financial Institution (Acquirer) Errors	Rates
Invalid PIN block service provider	N\$0.50
Invalid data	N\$0.50
Partial dispense	N\$0.50
ATM fault	N\$0.50
Slow ATM mode	N\$0.50
Unable to capture	N\$0.50
No request	N\$0.50

- 9.6. Card participants are prohibited from deviating from the card interchange rates determined by the Bank under this section.

10. **ATM Surcharging**

- 10.1. A card participant must not charge their customers more than the following fees for using another participant's ATMs:

Withdrawal at Other Card Participant's ATM	N\$5.60 plus N\$13.70 per N\$500 with a maximum of N\$35
Balance Enquiry at Other Card Participant's ATM	N\$4.80

- 10.2. A card participant has the discretion to offer the ATM services for free or at a lower rate than stipulated above.
- 10.3. Each card participant should include the fees stipulated under section 10.1 in their pricing guides/booklets and on the ATM screen prior to the withdrawal process is completed by the customer in line with the provisions of PSD-10.
- 10.4. A card participant may not amend the above stipulated ATM surcharging fees in their pricing guides to higher fees before the Bank has revised such fees as per the intervals determined in terms of section 12.
- 10.5. An ATM surcharge will apply to all interoperable domestic payment card types.

11. Additional Requirements and Conditions

- 11.1. In the event of a successful dispute against a card transaction among participants, the interchange applied to the successfully disputed transaction must be returned to the card participant that initially incurred the interchange fee.
- 11.2. The automated clearing house responsible for processing interbank card and ATM transactions must ensure that the interchange rates specified under section 10 are calculated daily and are applied the following business day to affected card participants.
- 11.3. The settlement of interchange fee payments to card participants should be done through the domestic clearing and settlement systems.
- 11.4. All the interchange rates provided under section 10 shall exclude value-added tax (VAT), which is to be included during the settlement process specified under section 11.3.
- 11.5. An interbank card transaction type not specified in this Determination may not be subjected to interchange rates.
- 11.6. The card interchange rates contained in Schedule “5C” of the Payments Association of Namibia’s Payment Clearing House Card Schedule are hereby nullified, repealed and replaced by this Determination.
- 11.7. Card participants are prohibited from discussing, negotiating, revising, or colluding with regards to the implementation of the interchange rates or ATM surcharging fees specified under this Determination.

PART IV: OTHER REGULATORY REQUIREMENTS**12. Revision Principles and Intervals**

- 12.1. The Bank intends to revise the interchange rates and ATM surcharging fees at frequencies to be determined by the Bank based on the following principles:
 - 12.1.1. Cost to card participants for providing payment services.
 - 12.1.2. Market conduct by card participants in the pricing of products and services directly impacted by interchange and ATM surcharging.
 - 12.1.3. The introduction of new card participants, payment services, or payment service providers that may be impacted or impact the effectiveness of the rates.
 - 12.1.4. Consideration by the Bank to introduce new interchange rates for other segments and industries other than the fuel industry.
 - 12.1.5. The impact of the prevailing interchange rates to card participants, merchants, and cardholders during a specified period.
- 12.2. Once the Bank has considered the principles above, the revision intervals and scope of revision will be communicated to card participants six (6) months before the new rates are determined by the Bank.

- 12.3. The Bank may consider additional principles not listed under section 12.1 when revising the interchange rates and ATM surcharging fees.
13. **Oversight** – The Bank reserves the right to inspect all records, data, or other relevant information of a card participant, its agent or payment service provider to ensure compliance with this Determination.
14. **Administrative Penalties** – A card participant, its agent or payment service provider that contravenes or otherwise fails to comply with any provisions of this Determination will be subjected to administrative penalties as provided for under the Act.
15. **Effective Date** – This Determination becomes effective on 1 October 2022 and must be implemented by card participants and their payment service providers, including the automated clearing house responsible for calculating card interchange.
16. **Enquiries** – All enquirers related to this Determination shall be directed to:

**THE DIRECTOR: NATIONAL PAYMENT SYSTEM
BANK OF NAMIBIA
P.O. BOX 2882
WINDHOEK**
