

BANK OF NAMIBIA

No. 183

29 June 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

¹ To be replaced soon

- 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.

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
Telephone: +264-61-2835111
Fax: +264-61-2835228