



Bank of Namibia

BANK OF NAMIBIA URGES READINESS FOR ELECTRONIC FUND TRANSFERS (EFT) REGULATIONS

EFFECTIVE 30 SEPTEMBER 2024



1. WHAT IS HAPPENING AT THE END OF SEPTEMBER 2024?

On 30 September 2024, the Determination on the Conduct of Electronic Fund Transfers within the National Payment System also known as PSD-9 will become effective. In addition, the Directive on the Speed and User Fees and Charges of Common Monetary Area (CMA) Transactions also known as PSDIR-9 will also become effective on 30 September 2024.

2. WHAT IS THE AIM OF THESE REGULATIONS?

PSD-9 regulates how EFT payments must be processed within the country and how cross-border transactions between Namibia and other SADC countries including the Common Monetary Area should be processed. In summary, PSD-9 says that domestic EFT transactions should be processed by domestic banking institutions and on domestic payment systems, while regional transactions should be processed through regional payment systems.

This is to prohibit the practise whereby EFT transactions from Namibia to other CMA countries, particularly South Africa are treated like South African transactions and not cross-border payments. This practice is prevalent for both EFT credits and EFT debits.

On the other hand, PSDIR-9 is a Directive to the 4 commercial banks namely Bank Windhoek Limited (BWHK), First National Bank of Namibia (FNB), Nedbank Namibia (NBN), and Standard Bank Namibia (SBN) to ensure that given the changes brought about by PSD-9, the cost and speed of cross-border payments to other CMA countries should not negatively impact its customers.

3. WHAT IS CHANGING BY 30 SEPTEMBER 2024?

As a result of PSD-9, the following changes will become effective by 30 September 2024. First, EFT transactions between Namibia and the rest of the CMA countries will cease to exist. Meaning banking institutions within the CMA that allowed their clients to make cross-border EFT payments will no longer be able to do so.

This includes both EFT credit payments i.e., where a customer through internet banking or in-branch initiates an EFT payment to someone in South Africa, and EFT debits where a customer has a debit order deduction from their account from a South African bank.

Second, to replace cross-border EFT payments, the banking institutions within the CMA have resolved to enable cross-border payments through the SWIFT network meaning that going forward, cross-border transactions in the CMA will be treated like any other cross-border transaction between Namibia and the rest of the SADC region. In summary, cross-border EFT transactions will be replaced with SWIFT-based transactions.

It is important to note that cross-border transactions within the CMA are all South African Rand (ZAR) denominated and will therefore not be subject to exchange rate conversion rates or fees.

4. WILL DEBIT ORDERS TO AND FROM SOUTH AFRICA ALSO BE IMPACTED?

From 30 September 2024, debit order deductions from Namibian bank accounts will no longer be possible. Equally, debit order deductions by Namibian banks from South African accounts will also no longer be possible. Customers are urged to find alternative ways of making cross-border payments to insurance companies or other entities where they have signed mandates to be deducted on a monthly basis. Other alternate payment methods include making direct payments, stop orders or scheduled payments.

Customers should contact their respective banking institutions to make the relevant payment arrangements.

5. THE CHANGES ARE AS A RESULT OF PSD-9. WHY DID THE BANK OF NAMIBIA INTRODUCE PSD-9?

The current practice has raised several regulatory concerns. For instance, Namibian debit orders for domestic insurance products are frequently processed through South African banks, even though the insurance companies have a presence in Namibia. Additionally, EFT credit payments originating from Namibia to other CMA countries are treated as domestic transactions within South Africa.

This treatment creates significant regulatory challenges, such as insufficient reporting and lack of transaction screening for potential illicit financial flows. PSD-9 aims to correct these practices by ensuring that all EFT transactions from Namibia are treated as cross-border transactions, thus enhancing the integrity and transparency of the national payment system.

5. The changes are as a result of PSD-9. Why did the Bank of Namibia introduce PSD-9?

The Bank acknowledges the feedback from various stakeholders, including concerns about potential disruptions to transaction speed, convenience, and associated costs due to this migration.

To address these concerns, the Bank has issued directives, such as the Directive on the User Fees and Charges and the Speed of Cross-border CMA Low-Value Transactions (PSDIR-9), to regulate user fees, transaction speed, and reporting requirements. Additionally, the Exchange Control Circular No.2024/01 offers risk based regulatory reporting on cross-border low-value transactions below specified thresholds.

Firstly, the Directive states that banking institutions that process cross-border payments within the CMA must ensure that Namibian recipients receive their funds within 2 business days when such funds are sent from South Africa or other CMA countries. This is to ensure that Namibian banks do not unreasonably delay the processing of inward payments to their customers.

Secondly, the Directive regulates the maximum fees banking institution can charge for both outward cross-payments and inward cross-border payments to other CMA countries. In summary, outward cross-border payments are capped at N\$20.00 for transactions below N\$1 million and at N\$30.00 for transactions between N\$1 million and N\$5 million while for inward cross-border payments, transactions are capped at N\$25.00 for transactions below N\$1 million and at N\$35 for transactions between N\$1 million and N\$5 million.

Banks may not charge more than the aforementioned regulated prices for transactions within the stipulated thresholds.

7. ANY ADDITIONAL INFORMATION OF NOTE?

The 4 banking institutions that provide cross-border payment capabilities have resolved to go-live earlier than 30 September 2024 with the new cross-border payment methods. This means that customers of the respective banks will be able to use the new cross-border payment channels between 09 and 16 September 2024.

This is a proactive approach by the banking institutions to ensure that the system is fully operational and stable by 30 September 2024. Customers are urged to engage their respective banks to get more information on the new methods and channels of making and receiving cross-border payments within the CMA.

The Bank emphasises that this change to use the SWIFT network to process cross-border payments within the CMA is a temporary solution. Plans are underway to develop a more permanent regional payment infrastructure that will better serve the needs of all CMA countries. In the interim, the Bank of Namibia remains committed to ensuring a smooth transition and urges all stakeholders, including banking institutions, corporates, and the general public, to take the necessary steps to comply with PSD-9 by the 30th September 2024 deadline.

This proactive approach will help maintain an efficient, secure, and competitive national payment system, promoting greater innovation across the region.



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