

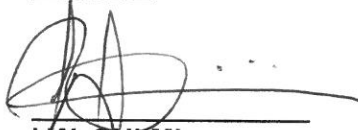
**BANK OF NAMIBIA**

No. 4

07 June 2019

**DIRECTIVE 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 13 of the Payment System Management Act, 2003 (Act No.18 of 2003) as amended, I hereby issue the Directive on the Cut-off Times within the Namibia Inter-Bank Settlement System (PSDIR-4), which Directive shall become effective on the date of signature.



**I.W. SHIIMI**  
**GOVERNOR**

Windhoek, 07 June 2019

**DIRECTIVE ON THE CUT-OFF TIMES WITHIN THE NAMIBIA INTER-BANK SETTLEMENT SYSTEM**

**Overview and Position of the Bank**

The Bank considers Payment Clearing House (PCH) batches as systemically important because they represent a significant proportion of the total daily funds settlement in the Namibia Inter-Bank Settlement System (NISS). Retail PCH batches form a high proportion of the daily settlement undertaken during the afternoon when NISS participants' treasury operations are closed, thus preventing participants from entering the inter-bank market in the instance where they are short at settlement time, and consequently resorting to the automatic overnight repo facility provided by the Bank.

The Bank, through its ongoing monitoring and oversight of the national payment system (NPS) deems it important to align the payments industry practices to efficient operations within the NISS

environment. The Bank's intention is thus to align NISS cut-off times with the efficiencies as stipulated in the Determination on the Efficiency of the National Payment System (PSD-7).

The Bank therefore requires that, all retail payment instructions must be submitted in time for clearing to Namclear, in order for the settlement of PCH batches in NISS to occur before 13h00 on Saturdays and 16h40 on weekdays.

## **1. Definitions**

In this Directive, unless the context indicates otherwise, 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, Bank of Namibia Act, 1998 (Act 15 of 1997) and the Banking Institutions Act, 1998 (Act No.2 of 1998) as amended, and cognate expressions shall have corresponding meanings.

- 1.1. 'Bank' means the Bank of Namibia as referred to in Section 2 of the Bank of Namibia Act, 1997 (Act No.15 of 1997), as amended.
- 1.2. 'Banking institution', as defined in Section 1 of the Banking Institutions Act (Act No. 2 of 1998), as amended.
- 1.3. 'CLC PCH' means a payment clearing house arrangements for Code Line Clearing of Cheque payment transactions.
- 1.4. 'Card PCH' means a payment clearing house arrangements for Card (Debit, Credit and Hybrid) payment transactions.
- 1.5. 'Designated Non-Bank Financial Institution' or 'NBFI' means an NBFI that has been designated as contemplated under section 8 of the Determination on the Criteria for Authorization of Participants in the Clearing and Settlement Systems (PSD-6).
- 1.6. 'Day of value' means day at which funds are debited from one participant and credited to another participant within NISS at the Bank.
- 1.7. 'Clear' or 'clearing' means the exchange of payment instructions between system participants with a view to reconciling and confirming payment instructions.
- 1.8. 'Cut-off time' means the settlement within NISS of all PCH batches prior to 16h40 during weekdays and 13h00 on Saturdays. No settlement shall occur on Sundays or a public holiday.

- 1.9. 'Square-Off' means closure of NISS, after which no settlement is permitted, which is 17h00 on weekdays and 13h20 on Saturdays, hence, no submission of batches will take place after the square-off times. No settlement shall occur on Sundays or a public holiday.
- 1.10. 'EFT PCH' means payment clearing house arrangements for Electronic Funds Transfer (EFT) payment transactions.
- 1.11. 'Funds Settlement Value Date (FSVD)' means settlement cycle date on which the settlement takes place.
- 1.12. 'National Payment System (NPS)' means the entire payment system, and includes any payment system, settlement system, clearing system and payment system arrangements used in the process of effecting payment between payers and beneficiaries.
- 1.13. 'Namclear' means the entity authorized by the Payments 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.
- 1.14. 'NISS' means the Namibia Inter-Bank Settlement System, an automated interbank settlement system provided to NISS participants by the Bank, including all the technical infrastructure and business components thereof.
- 1.15. 'System Participant' as defined under section 2(2)(b) of the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended.
- 1.16. 'Payment Clearing House (PCH)' means an arrangement between two or more system participants governing the clearing of payment instructions between those system participants.
- 1.17. 'Payment obligation' means the indebtedness that is owed by one participant to another participant resulting from the clearing of one or more payment instructions in a payment system.
- 1.18. 'Payment system arrangement' means procedures and services for the processing of payment transactions.
- 1.19. 'Systemic risk' means the risk brought about by one or more participants' failure to settle its obligations in the payment system, as a result, other participants may also be unable to settle their obligations.
- 1.20. 'Settlement' means payment or discharge of outstanding obligation that a system participant owes to another system participant.

1.21. 'Intraday settlement' means final settlement on the value date, before square-off.

## **2. Purpose**

2.1. The purpose of this Directive is to direct Namclear and all NISS participants in the PCHs to implement the necessary changes to submit settlement files in NISS within the set cut-off times.

## **3. Implementation of Directive**

3.1. This Directive shall be effective from the date of signature.

3.2. Namclear and NISS participants in the PCHs shall implement the necessary system, operational and infrastructure changes, and align their clearing and settlement arrangements and business processes to operate within the cut-off times in NISS on the effective date of this Directive.

3.3. Namclear and NISS participants in the PCHs shall implement intra-day settlement for PCH batches to enable settlements of Card, EFT and CLC PCH batches, in two settlement cycles on weekdays, at 12h00 and 16h40.

3.4. NISS Participants in the PCHs shall continuously send as much as possible their retail payments to Namclear for settlement in NISS by 16h40 to ensure that the remaining values after 17h00 are kept at a minimum. Wherever possible, retail batches shall be settled as soon as the obligations of the parties involved have been determined.

3.5. NISS Participants in the respective PCHs shall adhere to Namclear's Service Level Agreements, and Namclear shall enforce efficiencies in the processing of files in order to meet the NISS cut-off times.

3.6. In its role as overseer of the NPS, the Bank shall ensure that cut-off times in all PCHs are continuously observed and participants are expected to comply with this Directive.

#### 4. NISS Cut-off Times

The following clearing and settlement arrangements shall be implemented for all PCH batches:

Clearing and Settlement Arrangements	
Type of settlement	Settlement times
EFT	<p><b>Weekdays</b></p> <ul style="list-style-type: none"><li>• EFT dated services shall be settled by 10h00</li><li>• Same-day and one-day services shall be settled prior to 16h40.</li></ul> <p><b>Saturdays</b></p> <ul style="list-style-type: none"><li>• EFT dated services shall be settled by 10h00</li><li>• Same-day and one-day services shall be settled prior to 12h00.</li></ul>
CLC PCH	<p><b>Weekdays</b></p> <ul style="list-style-type: none"><li>• CLC batches shall be settled prior to 16h40</li></ul> <p><b>Saturdays</b></p> <ul style="list-style-type: none"><li>• CLC batches settlement shall take place prior to 13h00</li></ul>
Cards	<p><b>Weekdays</b></p> <ul style="list-style-type: none"><li>• Credit card batches shall settle once a day by 10h00</li><li>• Debit Card batches shall settle once a day prior to 16h40</li><li>• ATM Card batches shall settle once a day prior to 16h40</li></ul> <p><b>Saturdays</b></p>



	<ul style="list-style-type: none"> <li>• Credit card batches shall settle prior to 12h00</li> </ul>
Near Real Time Credit Transfer (NRTC)	<p><b>Weekdays</b></p> <ul style="list-style-type: none"> <li>• NRTC Batches shall settle twice a day, prior to 12h00 and 16h40.</li> </ul> <p><b>Saturdays</b></p> <ul style="list-style-type: none"> <li>• NRTC batches shall settle prior to 12h00</li> </ul>
Enhanced Credit Transfer (EnCr)	<p><b>Weekdays</b></p> <ul style="list-style-type: none"> <li>• EnCr batches shall settle twice a day, prior to 12h00 and 16h40.</li> </ul> <p><b>Saturdays</b></p> <ul style="list-style-type: none"> <li>• EnCr batches shall settle by 12h00</li> </ul>
Enhanced Debit Order (ENDO)	<p><b>Weekdays</b></p> <ul style="list-style-type: none"> <li>• ENDO batches shall settle twice a day, prior to 12h00 and 16h40.</li> </ul> <p><b>Saturdays</b></p> <ul style="list-style-type: none"> <li>• ENDO batches shall settle prior to 12h00.</li> </ul>

*Settlement shall not be allowed on Sundays or public holiday. Any transactions processed by Namclear on Sunday or public holiday would be submitted to NISS for settlement under the next valid FSVD.*

Transactions processed on Sundays shall be settled under Monday's FSVD prior to 16h40.

## 5. Repeal of PSDIR-4

- 5.1. This Directive repeals and replaces the Directive on Early Square-Off within the Namibia Inter-Bank Settlement System (PSDIR-4) issued under notice 4 on 6 January 2009.

## **6. General**

- 6.1. This Directive is not exhaustive and may be supplemented and / or amended from time to time.
- 6.2. To maintain cost-effectiveness and improve efficiencies of the National Payment System, all NISS participants and Namclear are obliged to act in accordance with this Directive.
- 6.3. Contravention of this Directive is an offence in terms of section 13 of the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended, and is subject to penalties under the Act.

## **7. Enquiries**

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

The Director: Payment and Settlement Systems Department  
Bank of Namibia  
PO Box 2882  
71 Robert Mugabe Avenue  
Windhoek

