

Starter Pack



Payment and Settlement Systems Department

Starter Pack for Participation in the Clearing and Settlement Systems

(Updated 2017)

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1. Definitions

Banking Institution	-	Banking Institution as defined by the Banking Institutions Act, 1998 (Act No. 2 of 1998), as amended
BIA	-	Banking Institutions Act, 1998 (Act No. 2 of 1998), as amended
PCH	-	Payment Clearing House
PAN	-	Payments Association of Namibia
PSD – 6	-	Determination on Criteria for Authorisation of Participants in Clearing and Settlement Systems
NISS	-	Namibia Interbank Settlement System
NPS	-	National Payment System
NBFI	-	Non-Bank Financial Institution
PSSD	-	Payment and Settlement Systems Department
The Bank	-	The Bank of Namibia

2. Purpose

- 2.1 The purpose of this document is to provide prospective clearing and settlement systems participants with access and participation guidelines based on the Determination on the Criteria for Authorisation of Participants in the Clearing and Settlement Systems (PSD-6).
- 2.2 Additionally, this document provides the relevant checklists that applicants must use when submitting applications for access and participation the clearing and settlement systems.
- 2.3 Applicants should read and understand all criteria for access and participation in the clearing and settlement system, as per PSD-6.

3. Background

- 3.1 There are two categories of participation, namely direct and indirect:
 - (a) A direct participant is a participant in the clearing or settlement system that clears or settles payment obligations on its own behalf.
 - (b) An indirect participant is a participant in the clearing or settlement system whose clearing or settlement obligations are assured by a direct participant.
- 3.2 There are two categories of participants who qualify for access and participation in the clearing and settlement systems:
 - (a) Registered Banking Institutions (BIs – including licenced branches of foreign banks) are required to participate directly in the settlement system, but have the option of participating directly or indirectly in the clearing system.
 - (b) Designated Non-Bank Financial Institutions (NBFIs) have the option of becoming a direct or indirect participant in either the clearing or settlement system.

4. Application Procedures

- 4.1. When applying, an application has to be made to the Payment and Settlement Systems Department (PSSD) at Bank of Namibia.
- 4.2. Prior to applying to PSSD for authorisation for access and participation in the clearing and / or settlement systems, the applicant shall have understood and met the criteria for access and participation in the settlement and / or clearing systems as per PSD-6 and this document.
- 4.3. When applying, it should be clearly indicated whether the applicant wishes to participate directly or indirectly in the clearing and / or settlement systems.
- 4.4. It should be noted that a Banking Institution can only apply for direct participation in the settlement system, whereas the option of direct or indirect participation is open with regards to the clearing system.
- 4.5. For Designated NBFIs, the options for direct or indirect participation are open on both the settlement and clearing systems.
- 4.6. Applicants who are desirous of obtaining provisional authorisation to participate in the clearing and settlement systems should submit information and documentation as prescribed by the relevant checklists as provided for under Appendix A and Appendix B of this document.

- 4.7. Additionally, payment instrument issuers that are desirous of participating in the clearing and settlement systems should submit an application guided by the *designation* checklist under Appendix B of this document.
- 4.8. When submitting an application, applicants are required to attach the relevant checklist and cross reference or arrange the information and documentation as per the order provided by the checklist.

5. Requirements for Designation of a Non-Bank Financial Institution

- 5.1. Designation for access and participation in the clearing and settlement system is only applicable to Non-Bank Financial Institutions.
- 5.2. Prospective applicants are encouraged to familiarise themselves with section 8 of PSD-6.
- 5.3. The application submission should contain all information and documentation as outlined under section 12 of PSD-6.

6. Application Steps

- 6.1. The following are steps to guide applicants when applying for authorisation for participation in the clearing and settlement systems:

Steps	Action	Description
1	Proposal Submission	<ul style="list-style-type: none"> An applicant who intends on participating in the clearing and settlement systems should submit a proposal or a letter of intent to the Payment and Settlement Systems Department (PSSD). The proposal should include the applicant's preliminary business plan and operating model i.e. outlining key activities, processes, system flows, key applications etc.
2	Introduction Meetings	<ul style="list-style-type: none"> The PSSD will peruse the letter of intent or proposal and contact the applicant within one month from date of receiving the letter of intent or proposal and, where applicable, arrange for an introductory meeting where the application process will be explained to the applicant. The PSSD will enquire to further understand the proposal and guide the applicant with the application process for participating in the clearing and / or settlement systems.
3	Application (Banking Institution)	<ul style="list-style-type: none"> An applicant should have at least a provisional or full banking licence from the Banking Supervision Department (Bank of Namibia), before submitting an application for authorisation to participate in clearing and / or settlement systems. Once an applicant is granted a provisional or full banking licence, it should apply to the PSSD for authorisation to participate in the clearing and / or settlement systems as guided by this document and PSD-6.
4	Application (Non-Bank Financial Institution)	<ul style="list-style-type: none"> An NBFI applicant who intends to participate in clearing and / or settlement system should apply to the PSSD for designation and authorisation to participate in the clearing and / or settlement systems as guided by this document and PSD-6.

5	Application Checklist	<ul style="list-style-type: none"> The submission of the application mentioned above (both for banking institutions and NBFIs) should be done in accordance with and accompanied by the checklist under the appendices of this document.
6	Assessment of Application	<ul style="list-style-type: none"> The PSSD will assess the application and provide the applicant with feedback within 3 months from the date of receiving the application. The applicant should note that submitting an incomplete application will affect and delay the assessment period. The applicant should also note that applications will be assessed on a first come first served basis.
7	Provisional Authorisation	<ul style="list-style-type: none"> On meeting the requirements stipulated in PSD-6, the applicant shall be granted provisional authorisation with certain conditions, which depends on the nature of the application. The provisional authorisation shall be valid for 6 months, in which an opening onsite inspection shall be conducted. NB: Participants are not allowed to sign any agreements with the Payments Association of Namibia (PAN), Namclear or the NISS (Namibia Interbank Settlement System) operations of the Bank of Namibia before provisional authorisation is granted.
8	Provisional Membership to PAN (Direct Participation)	<ul style="list-style-type: none"> Once provisional authorisation for clearing and / or settlement systems has been granted, the applicant should apply to PAN for provisional membership to PAN. PAN will provide the applicant with information regarding the procedure for membership, the relevant membership fees and the conditions of membership. NB: Participants are not allowed to sign any agreements with the clearing system operator namely, Namclear before provisional membership of PAN is granted.
9	Direct Participation in Clearing and Settlement Systems	<ul style="list-style-type: none"> On obtaining provisional membership to PAN, an applicant that intends to be a direct participant in the settlement system should approach the NISS Operations Division of the Bank of Namibia. NB: It is mandatory for a Banking Institution to be a direct participant in the settlement system (NISS). On obtaining provisional membership to PAN, an applicant that intends to be a direct participant in the clearing system should approach Namclear for the take-on process. NB: A Banking Institution and an NFBI both have the option of being a direct or an indirect participant in the clearing system. The relevant system operator(s) (Namclear and NISS) will provide the applicant with information regarding the procedure of participation in the respective system(s), the technical and operational requirements, the relevant fees and conditions for participation in the respective system(s).
10	Indirect Participation	<ul style="list-style-type: none"> An applicant that intends to be an indirect participant in the clearing and settlement system should be authorised

		<p>by the Bank and be under the responsibility of a direct participant.</p> <ul style="list-style-type: none"> • NB: It is mandatory for a Banking Institution to be a direct participant in the settlement system. An NBFi can be an indirect participant in both the clearing and settlement systems.
11	Full Membership to PAN	<ul style="list-style-type: none"> • The applicant must approach PAN to obtain full membership before full authorisation can be granted by the Bank. • Applicant must ensure that they enter into agreements for all the various streams for which they intend to participate in.
12	Opening Onsite Inspection	<ul style="list-style-type: none"> • Once provisional authorisation is granted, the PSSD will communicate to the applicant, a date on which an opening onsite inspection will take place at the premise of the applicant. The objective of the opening onsite inspection is to test the applicant's readiness for participating in the clearing and settlement systems. • NB: An applicant will not be granted full authorisation until an opening onsite inspection is conducted and finalised. • NB: An opening onsite inspection will only be conducted once the applicant has obtained full membership from PAN.
13	Contact NISS	<ul style="list-style-type: none"> • The applicant must before full authorisation is granted contact NISS for technical testing purposes. NISS will provide a checklist in respect of this exercise, which checklist shall form part of the onsite inspection.
14	Full Authorization	<ul style="list-style-type: none"> • On meeting the conditions of the provisional authorisation and the pre-opening onsite inspection, the applicant will be granted full authorisation, with further conditions if applicable. • NB: An applicant is not permitted to participate in the clearing and settlement systems until full authorisation is granted.

7. Contact Information

For further clarity pertaining on the information provided in this document kindly forward all queries to the following address:

The Director
Payment and Settlement Systems Department
Bank of Namibia
71 Robert Mugabe Avenue
Windhoek
Tel: + 264 (61) 283 5352
Fax: + 264 (61) 283 5931

8. Access and Participation in the SADC Integrated Regional Electronic Settlement System (SIRESS)

- 8.1. The SADC Integrated Regional Electronic Settlement System is an electronic payment system that facilitates cross border trade in the SADC region.
- 8.2. This platform allows the SIRESS participating banks to facilitate financial transactions within SADC countries on a gross basis and in real time.
- 8.3. SIRESS is a cross-border settlement system hosted by the South African Reserve Bank (SARB) on behalf of the SADC Committee of Central Bank Governors, and acts as the settlement bank.
- 8.4. Only Central Banks and financial institutions that are authorised to participate in that country's settlement system can be participants in SIRESS.
- 8.5. The following are steps to guide applicants when applying for authorisation to participate in SIRESS:

Steps	Description
1	Participating bank to submit profile and contact information
2	Applicant is required to notify the Bank of Namibia of its intention to participate in SIRESS
3	Applicant should prepare for SWIFT readiness / capacity
4	Applicant should set up SIRESS Y FINCopy Service and SIRESSWeb. A guide to subscribe to the SIRESS swift services can be found by following this link: https://www.swift.com/node/10896/
5	Applicant is required to obtain the set up requirements from the SIRESS team
6	Applicant should obtain test packs from the SIRESS team
7	Applicant is required to obtain Message Implementation Guides and examples from the SIRESS team
8	Applicant should ensure that its officers study and understand the SADC BA Payments System Business Processes and related documents manual
9	The Applicant should complete and sign the required SIRESS legal and other documents
10	The Applicant will be required to complete SIRESS and Bank of Namibia implementation check-list documents

- 8.6. For more information on becoming a SIRESS participant, applicants can contact Mrs Alison Sloane on email: alisons@sadcbanking.org or telephone: +27 11 645 6726. Additional queries can also be forwarded to email: SIRESS-CSC@resbank.co.za.

9. **Repeal of 2015 Starter Pack** - This Starter Pack for Participation in the Clearing and Settlement Systems 2017 repeals and replaces the Starter Pack for Participation in the Clearing and Settlement Systems 2015.

10. **References**

<https://www.bon.com.na/>

[Risk-Based Oversight Policy Framework](#)

[Determination on Criteria for Authorisation of Participants in Clearing and Settlement Systems \(PSD-6\)](#)

www.pan.org.na

www.namclear.com.na

<http://www.sadcbanking.org/index.aspx>

11. Appendix A: Application Checklist

NAME OF APPLICANT:					
CHECKLIST COMPLETED BY					
DATE			Click here to enter a date.		
ITEM REQUIRED	SPECIFIC REQUIREMENTS	SUBMISSION STATUS	REMARKS (IF ANY)	WHERE EXACTLY IS THIS INFORMATION LOCATED IN YOUR SUBMISSION? (PROVIDE A CLEAR CROSS-REFERENCE)	
A. For Banking Institutions and Non-Bank Financial Institutions					
1.	Specialised skills and processing capabilities in clearing and settlement systems				
1.1	Organogram relating to the provision of payment services	<ul style="list-style-type: none"> A detailed layout of the department(s) in which the clearing and settlement functions will be executed. This should also include roles and responsibilities of the respective staff within the department(s). 	Click and choose		
1.2	Specialised skills	2.2.1. A list of all proposed payment specialists including their names, addresses and nationalities.	Click and choose		

		<p>2.2.2. The following documents for each proposed payment specialists:</p> <ul style="list-style-type: none"> • Curriculum Vitae; • Certified true copies of qualifications; and • Certified true copies of national identification documents 	Click and choose		
1.3	Processing capabilities	<ul style="list-style-type: none"> • System architecture, network topology relating to the provision of payment services i.e. DR, peripheral system, core banking etc. Safety, security and operational reliability of the payment system infrastructure. 	Click and choose		
1.4	Interoperability and non-exclusivity	<ul style="list-style-type: none"> • Indicate whether the scheme is not interoperable and/or involves exclusive arrangements, an explanation of why the scheme was not designed to be interoperable and non-exclusive. 	Click and choose		
1.5	Prompt payment clearing and settlement provisions	<ul style="list-style-type: none"> • Provision of payment clearing and settlement should take place not more than twenty-four (24) hours during business days after a payment instruction has been cleared. A diagram depicting the clearing and settlement process 	Click and choose		

		of the payment instrument.			
2.	Impact of technical and operational procedures of the scheme	<ul style="list-style-type: none"> Details on the impact of the technical and operational procedures of the payment instrument on existing clearing and settlement systems, particularly regarding compatibility and connectivity. A diagram depicting the clearing and settlement process. 	Click and choose		
3.	Complete audit trail or transaction processing cycle	<ul style="list-style-type: none"> There must be a complete audit trail or transaction processing cycle – initiation, clearing, settlement and payment finality. 	Click and choose		
4.	The following information and supporting documents are required:				
4.1	Details on the designated payment instrument	<ul style="list-style-type: none"> Name, functionality and detailed description of the payment instrument. Business model, including payment flows, and settlement and reconciliation arrangements. There must be a complete audit trail or transaction processing cycle – initiation, clearing, 	Click and choose		

		settlement and payment finality.			
4.2	Business plan / feasibility study	<ul style="list-style-type: none"> • Must include a minimum of three years of financial projections. • The intended users of the instrument(s), location of use and the proposed fees and charges. • Type of market the instrument will operate in and market penetration methods to be used. • Provide natural risks that the payment instrument might incur and how these risks will be mitigated (Risk Management framework). 	Click and choose		
4.3	Scope of Operation of payment instrument	<ul style="list-style-type: none"> • An indication of whether the payment instrument shall facilitate domestic or cross-border payments or both . 	Click and choose		
4.4	Fees and Charges	<ul style="list-style-type: none"> • A list of fees and charges imposed by the issuer and a description of how such fees will be shared among the issuer and other participants in the scheme (e.g. technology 	Click and choose		

		<p>companies, agents, etc.).</p> <ul style="list-style-type: none"> • Payment services pricing should be comparable to those provided by both banks and non-bank payment institutions issuing similar instruments. 			
4.5	Scope of services to participants	<ul style="list-style-type: none"> • Documentation that indicate the intention to provide service(s) to participants. • An indication of whether the scheme shall accommodate both on- and off-line services to its participants. • Daily limits set of e-money available to the participants on the electronic money instrument. 	Click and choose		
4.6	Any approval, authorization, license or permit from other regulatory authorities	<ul style="list-style-type: none"> • Certified true copy 	Click and choose		
4.7	Technology to be used	<ul style="list-style-type: none"> • Provide an architecture plan/layout and a clear description of the technology, as well as the envisaged measures for ensuring the flow and safety of all data and funds. • Also, include arrangements concerning business continuity 	Click and choose		

		and disaster recovery.			
4.8	Copy of proposed client disclosure documentation	<p>This documentation must include:</p> <ul style="list-style-type: none"> • Rights and liabilities of the issuer and the user; • The risks the user may incur; • Consumer redress and dispute arbitration and resolution mechanisms; and • The terms and conditions of use (including transaction and balance limits, validity, fees and charges related to the payment instrument, provisions related to account dormancy and unclaimed funds, and other relevant terms and conditions). 	Click and choose		
4.9	Intended users and location(s) of use	<ul style="list-style-type: none"> • Clear description 	Click and choose		
4.10	Management of funds collected from the user	<ul style="list-style-type: none"> • Measures for the management of funds collected from the user, including measures that ensure that the funds are protected and available for repayment to the user (if applicable). 	Click and choose		
4.11	Outsourcing arrangements (if any)	<ul style="list-style-type: none"> • Provide a list of all functions that will be outsourced, along with the 	Click and choose		

		names of the service providers involved. In addition, provide the Bank with (draft) service level agreements with the service providers.			
4.12	Safety, security and operational reliability of the designated payment instrument	<p>Measures in place, including policies and procedures with respect to:</p> <ul style="list-style-type: none"> • Float Management; • Money Laundering and other criminal activities • Outsourcing; • Use of retail agents (if applicable); • Internal controls; • Security controls; • Business continuity, contingency and disaster recovery planning; and • Internal and external audit functions • Provide Service Level Agreements if the above mentioned will be outsourced. 	Click and choose		
4.13	Data and information management	<ul style="list-style-type: none"> • Measures to ensure confidentiality of transactions and customer data. 	Click and choose		
4.14	Compliance with Payment Systems Management Act, 2003 (Act No. 18 of 203) and underlying regulations; and any other relevant legislation,	<ul style="list-style-type: none"> • A statement to affirm that the applicant's envisaged operations will not in any way contravene the Payment Systems Management Act, 2003 (Act No. 18 of 203) and 	Click and choose		

	where applicable	underlying regulations; and any other relevant legislation.			
4.15	Application fee	<ul style="list-style-type: none"> • Proof of payment of application fee. • Depends on the nature of the application. Refer to section 13 of PSD-6 for further information. 	Click and choose		
4.16	Designated contact/ liaison person	Full names, physical address, postal address, e-mail address and contact numbers of the designated contact/liaison person in respect of this application.	Click and choose		

12. Appendix B: Designation Checklist

NAME OF APPLICANT:					
CHECKLIST COMPLETED BY					
DATE		Click here to enter a date.			
ITEM REQUIRED	SPECIFIC REQUIREMENTS	SUBMISSION STATUS	REMARKS (IF ANY)	WHERE EXACTLY IS THIS INFORMATION LOCATED IN YOUR SUBMISSION? (PROVIDE A CLEAR CROSS-REFERENCE)	
1. Application fee	<ul style="list-style-type: none"> An application fee of N\$10 000 	Click and choose			
2. Memorandum and Articles of Association, where applicable, and / or other constituent documents	Certified true copy	Click and choose			
3. Certificate of incorporation or business registration	Certified true copy	Click and choose			
4. Latest audited financial statements	Sufficient financial and capital resources to ensure the safe, efficient and on-going participation in the clearing and	Click and choose			

		settlement system.			
5.	Particulars of all directors and CEO	5.1. A list of all proposed directors and the CEO including their names, addresses and nationalities	Click and choose		
		5.2. The following forms to be completed by each proposed director and the CEO: <ul style="list-style-type: none"> • Form PSF001; • Form PSF002; and The accompanying declaration, which must be notarized or certified by a Commissioner of Oaths.	Click and choose		
		5.3. The following documents for each proposed director and the CEO: <ul style="list-style-type: none"> • Curriculum Vitae; • Certified true copies of qualifications; and Certified true copies of national identification documents	Click and choose		
	Particulars of substantial shareholders and related corporations (applicable	6.1. A list of all substantial shareholders containing their names, addresses,	Click and choose		

6.	only if applicant is a company)	nationalities, number of shares and percentage shareholding			
		6.2. Audited financial statements for the past three years in respect of shareholders who are juristic persons	Click and choose		
		6.3. The following documents for proposed shareholders who are natural persons : <ul style="list-style-type: none"> • Form PSF002; • Accompanying declaration Certified true copies of national identity documents 	Click and choose		
7.	Specialised skills	3.3.1 A list of all proposed payment specialists including their names, addresses and nationalities.	Click and choose		
		3.3.2 The following documents for each proposed payment specialists: <ul style="list-style-type: none"> • Curriculum Vitae; • Certified true copies of qualifications; and 	Click and choose		

		<ul style="list-style-type: none"> • Certified true copies of national identification documents 			
8.	Business plan / feasibility study	<ul style="list-style-type: none"> • Must include a minimum of three years of financial projections. • The intended users of the instrument(s), location of use and the proposed fees and charges. • Type of market the instrument will operate in and market penetration methods to be used. • Provide natural risks that the payment instrument might incur and how these risks will be mitigated (Risk Management framework). 	Click and choose		
9.	Identity of Independent Auditors		Click and choose		

10.	Address of Applicant's Head Office	<ul style="list-style-type: none"> • Domicile • Postal Address 	Click and choose		
11.	Designated contact/ liaison person	Full names, physical address, postal address, e-mail address and contact numbers of the designated contact/ liaison person in respect of this application.	Click and choose		