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FOR IMMEDIATE RELEASE:

MEDIA RELEASE

BANK OF NAMIBIA INTRODUCES CHEQUE CAPPING

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In line with international best practices, risk reduction measures must be in place to prevent risks from building up in payment systems. In this connection, the Bank of Namibia has been mandated by the Payment System Management Act, 2003 (Act No. 18 of 2003) to ensure safety and efficiency in the National Payment System. More recently, the Bank of Namibia has taken a position aimed at phasing out cheques in the National Payment System, through cheque capping, because of risks of fraud, high probability of default by the payer and declining volume. The reduction in the use of cheques is expected to encourage the public to conduct transactions through electronic means such as debit cards, credit cards and electronic fund transfer mechanisms.

Based on the foregoing, the public is hereby informed that the Bank of Namibia has issued, after consultations with the banking industry and the Payment Clearing House (PCH), a determination on “reduction of the item limit for cheque payments within the National Payment System”. This determination sets a new domestic cheque item limit of N\$ 500,000 with effect from 10 June 2010. Any cheque payment made in excess of N\$500,000 will no longer be accepted by banking institutions nor will it be processed by the PCH after this date. However, cheques issued before the implementation date, that is, 10 June 2010, will be processed on exceptional basis.

There are immense benefits associated with the reduction of the cheque item limit. It will mitigate incidents of fraud carried out through the use of cheques and will enhance the safety, speed and efficiency of the Payment System in Namibia, because all high value payments in excess of N\$500,000 will be directed through electronic funds transfers (EFT), Real Time Gross Settlement System (RTGS) known as the Namibia Inter-bank

Settlement System (NISS), for timely, guaranteed and final settlement. In particular, it will lead to quicker availability of funds in payee accounts.

For any enquiries, please do not hesitate to contact the Michael Mukete, Director: Banking Supervision Department, at tel: (061) 283 5040 or (061) 283 5262.

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