



**STARTER PACK AND CHECKLIST FOR THE LICENSING OF THE CENTRAL
SECURITY DEPOSITORY (CSD) TO INTERFACE IN THE NAMIBIAN INTERBANK
SETTLEMENT SYSTEM (NISS)**

AUGUST 2023

DATE: AUGUST 2023

1. Purpose

- 1.1. The purpose of this document is to provide guidance in respect to the application process for the licensing of the cash settlement leg of the Central Securities Depositories (CSD) in the Namibia Interbank Settlement System (NISS) to ensure that all payment related risks and concerns are mitigated.
- 1.2. Additionally, this document provides the relevant procedures that applicants must comply with before full authorisation can be granted by the Bank of Namibia (the Bank).
- 1.3. The CSD company is encouraged to familiarise itself with the criteria set out in this document.

2. The Bank's licensing Requirements

- 2.1. To supplement the registration requirements from NAMFISA and to mitigate any payments related risks that may emanate from the connection between the CSD and the NISS, the Bank will require the CSD Company, as part of the application process, to submit the information and documentation as outlined in the checklist provided in Annexure 1.

3. Application Steps

- 3.1. The following procedural steps are to guide the CSD company in obtaining a license for settlement in the NISS.

Steps	Action	Description
1	Log Request	1.1 To ensure efficiency in the licensing process, the CSD Company will approach the Bank seeking the necessary guidance on how to apply and obtain approval to interface with NISS for the payment settlement leg of the CSD. The CSD company will seek guidance through the office of the Director of the National Payment System Department which will provide the necessary guidance through a letter or an introductory meeting.
2	Introductory Meeting	2.1 Once the Bank has received the request for guidance from the CSD company, where applicable, NAMFISA and the Bank will arrange for a meeting with the CSD company to discuss regulatory expectations in terms thereof, NAMFISA's regulations, the Bank's regulations and the PFMI's. 2.2 During the meeting, the CSD Company will be expected to briefly introduce the intended CSD operations to the regulators, and after the meeting, submit a letter of intent to the regulators seeking CSD registration requirements and guidance.

3	Registration Requirements and Meeting	<p>3.1 The National Payment System: Oversight and Policy Division will set up a meeting with NAMFISA to draft/consolidate a registration requirement document/letter which shall include the application requirements from both regulators.</p> <p>3.2 Once completed and approved by the respective directors and executives, the requirements will be sent to the CSD Company.</p> <p>3.2 The expectation is for the CSD Company to submit a comprehensive application guided by the specific requirements under Annexure 1.</p>
4	Application Assessment	<p>4.1 Following the full submission by the applicant referred to under step 3, NAMFISA will conduct its prudential assessment which shall include the fitness and probity aspects of the CSD Company, while the Bank will conduct its assessment on the CSD link to the NISS as per the requirements under Annexure 1.</p> <p>4.2 Once NAMFISA has finalised its assessment and made a pronouncement thereon, NAMFISA/CSD will notify the Bank on the outcome of the assessment, and then the Bank will commence with its licensing assessment of the application. Further to the aforesaid, the Bank shall only be able to assess the CSD Company should it be granted the requisite registration by NAMFISA.</p> <p>4.3 The Bank will respond with the assessment outcome to the CSD company after 6 weeks from the date of receiving the application, provided that all application documents have been submitted to the Bank.</p>
5	Letter of Provisional Authorisation	<p>5.1 Following the introductory meeting (if applicable) and the satisfactory assessment of the application, the Bank will issue a provisional authorisation letter to the CSD company with accompanying conditions for full authorisation.</p>
6	Oversight Function	<p>6.1 Once pre-authorisation with accompanying conditions is given to the CSD Company, the Bank will allow the CSD Company to test its connectivity to NISS and commence with the Oversight requirements and procedures.</p> <p>6.2 After the testing phase between the CSD Company and the NISS, the Bank will conduct an onsite pre-opening inspection of the operations of the CSD Company together with NAMFISA.</p>
7	Full Authorisation	<p>7.1 Once the Bank has completed its pre-opening inspection and confirmed the fulfilment of the pre-authorisation conditions, the Bank will issue the CSD Company with a letter of full authorisation allowing the CSD to go-live with the NISS interfacing. The authorisation letter may have accompanying conditions for the CSD's consideration during their operations.</p>
8	Continuous Monitoring through Oversight Efforts	<p>8.1 Once the full authorisation has been granted and communicated, the Bank will collect, analyse, and verify the statistical information from the CSD.</p> <p>8.2 Once the information has been validated, it will be factored into the risk assessment and profiling process in order to develop an institutional risk-based profile for the CSD as participant in the National Payment System as well as for the planning of any Compliance Assessments that may need to be conducted by the Oversight team on the CSD.</p>

4. Contact Information

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

The Director
National Payment System Department
Bank of Namibia
No. 71 Robert Mugabe Avenue
Windhoek
Tel: +264 (61) 283 5352
Fax: +264 (61) 283 5931

5. Signature



Leonie Dunn
Deputy Governor

29 August 2023

Date

Annexure:1

Bank of Namibia CSD Licensing Application Checklist

APPLICANT NAME:	
COMPLETED BY:	
DATE:	

ITEM REQUIRED	SPECIFIC REQUIREMENTS	SUBMISSION STATUS	REMARKS (IF ANY)
1. Attestation of Skills and Expertise	Attestation that the CSD Company has adequate skills and expertise to submit payment instructions to the NISS through SWIFT as well as receive and interpret settlement confirmation SWIFT messages. This includes attestation that staff from the CSD Company have the ability to provide the Bank with monthly reports and participate in announced and unannounced disaster recovery tests with the NISS participants.		
2. Risk Assessment Report	The CSD Company should submit a risk assessment report relating to the payment settlement leg of the CSD, that should at minimum address the following issues: a) Assessment of the CSD's links with SWIFT, the NISS and its participants to identify, monitor and manage all link-related risks; b) Adoption and assessment of the CSD's legal framework to ensure that all links to and from the CSD have a well-founded legal basis and provide the CSD Company with adequate protection against all legal risks; c) Assessment and management of default-related risks emanating from both SWIFT, the NISS and any other links related to the provision of CSD payment settlement services; d) Assess and provide mechanisms to monitor operational risks, settlement risk, systemic risk, legal risk, liquidity risk and principle risk; and 5 e) Identify, assess and provide mechanisms to monitor and manage any other risk not listed above but may impact the CSD's ability to accurately and timeously submit files or communicate with NISS for payment settlement purposes.		
3. Business Continuity Plan and Disaster Recovery Plan	The CSD Company should submit a business continuity plan and a disaster recovery plan to detail and describe the actions to be taken in the event of a disruption, disaster or emergency. The CSD Company should ensure that it has a disaster recovery site that is at least 7 kilometres away from the main site and accessible at any time to continue the operations of the CSD. It must also ensure that it always has active connections to the NISS production and Disaster Recovery site.		

4. Operational Guidelines and Procedures:	The CSD Company should submit appropriate rules and procedures that conform to principle 11 of the PFMIs. b) The CSD Company should submit operational guidelines to ensure accurate and timely submissions of files and communication with all entities connected to the CSD i.e. NISS, SWIFT and CMS. c) The CSD Company should submit procedures on how to cover, at least on a daily basis, its current and potential future exposures to SWIFT, the NISS, its participants and any other CSD links, with a high degree of confidence without reducing the CSD's ability to fulfil its obligations to its own participants. d) The CSD Company should have and submit procedures to ensure that settlement in the NISS is never delayed due to settlement obligations resulting from the exchange of securities within the CSD. The procedures should further require the CSD Company to work closely with the brokers in ensuring that when trade confirmations are concluded, funds availability is also ascertained in order to avoid fund settlement failure after all the processes in the trading transaction have been concluded.		
5. Penetration Test Attestation	The CSD Company should appoint a recognized independent Qualified Security Professional / IT System Auditor to conduct a system penetration test on the CSD's IT infrastructure to attest its security and resilience to cyber-attacks, fraud and other systems' related risks. The scope of the test and the results should be submitted to the regulators as part of the application submission.		
6. NISS Connectivity Requirements	Attestation that the CSD Company as a service provider connecting to the NISS has met the relevant requirements as per the NISS Operator's participant take-on requirements, which amongst others include: a) Provisional authorisation to participate in the Settlement System; b) Signed the NISS Application / Take-on Form; c) Signed NISS Service Level Agreement; d) Signed NISS Operational Procedures; e) SWIFT Live e-Order; f) SWIFT Relationship Management Application exchange with the Bank; g) Attestation of the NISS Training by the NISS Operator; h) Attestation of successfully completing the NISS Connectivity and Market Testing; and i) Attestation of meeting the NISS Minimum Technical Specifications as set out in the NISS Operational Procedures.		