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OF THE

REPUBLIC OF NAMIBIA

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General Notice

BANK OF NAMIBIA

No. 561

2024

DETERMINATION UNDER THE PAYMENT SYSTEM MANAGEMENT ACT, 2023

In my capacity as Governor of the Bank of Namibia (the Bank), and under the powers vested in the Bank by virtue of section 45 of the Payment System Management Act, 2023 (Act No. 14 of 2023), I hereby issue this **Determination on Issuing of Electronic Money in Namibia (PSD-3)**, which Determination will become effective six (6) months from date of publication in the *Gazette*.

J. !GAWAXAB
GOVERNOR
BANK OF NAMIBIA

Windhoek, 15 September 2024

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PART I: PRELIMINARY

1. **Short Title** - Determination on Issuing of Electronic Money in Namibia.
2. **Application** - This Determination will apply to all persons who intend to issue electronic money (e-money) in Namibia in terms of section 9 and section 10 of the Payment System Management

Act, 2023 (Act No. 14 of 2023) (the Act). Payment service providers who intend to issue e-money are required to do so in accordance with this Determination and the Determination on the Licensing and Authorisation of Payment Service Providers (PSD-1). Payment service providers that issue e-money will be collectively referred to as “e-money issuers”. All (new applicants and existing) e-money issuers will be subjected to an assessment process based on this Determination and PSD-1 in order to ensure compliance with minimum requirements for issuing e-money in Namibia. All e-money issuers must be able to demonstrate their full compliance within six (6) months after issuance and publication of this Determination in the *Gazette*.

3. **Definitions** - In this Determination, unless the context otherwise indicates, the words and expressions used herein will have the same meaning as assigned to them in the Act and cognate expressions will have corresponding meanings:

“**Act**” means the Payment System Management Act, 2023 (Act No. 14 of 2023);

“**Agent**” means an entity appointed by a payment service provider or system participant to perform certain payment services on behalf of the payment service provider or system participant;

“**Banking institution**” means a banking institution as defined in section 1 of the Banking Institutions Act, 2023 (Act No. 13 of 2023);

“**Cross-border transfers**” means international remittance transfers or cross-border person-to-person payments of relatively low monetary value;

“**Electronic money**” or “**e-money**” means monetary value as represented by a claim on its issuer, that is:

- (a) stored electronically; magnetically or digitally;
- (b) issued on receipt of funds (legal tender) of an amount equivalent to the monetary value issued;
- (c) accepted as a means of payment by persons other than the issuer; and
- (d) redeemable upon demand for cash in Namibia Dollar;

“**Electronic money issuer**” or “**E-money issuer**” means a payment service provider authorised under section 21 of the Act to issue electronic money;

“**E-money scheme**” means the e-money operating systems, networks, servers, arrangements, agreements and technical standards and rules;

“**Electronic money wallet**” or “**e-money wallet or e-wallet**” means an application software or device on which monetary value is stored electronically; magnetically or digitally and allows the holder of the wallet to make electronic transactions. The wallet may be stored on the internet or devices such as a mobile phone or a computer, or products such as pre-paid cards;

“**Determination on the Licensing and Authorisation of Payment Service Providers**” or “**PSD-1**” means the operational Determination issued by the Bank in terms of section 45 of the Act outlining general and specific requirements for the licensing and authorisation of payment service providers;

“**Interoperability**” means the ability of different payment systems, networks, applications and other infrastructure of participants or persons to connect or interface;

“**Micro e-money issuer**” means a non-bank financial institution licensed to issue e-money on a limited scale under section 11 of this Determination and subjected to the initial capital requirements stipulated in the Payment System Notice;

“**Non-bank financial institution**” means institutions, other than banking institutions authorised to conduct banking business, that offer payment services;

“**Payment System Notice**” means the Payment System Notice No.1 of 2024 issued in terms of section 46(1) of the Act;

“**User**” means any person that uses a payment service in their capacity as a payer or a payee or both;

“**Special Account**” means a trust account opened by a banking institution in its own books of account to hold funds received from consumers in exchange of e-money issued; and

“**Trust account**” means a trust banking account referred to in section 22 of the Act.

4. **Authorisation** – Authority for the Bank to issue this Determination is provided for by section 10(2) and 45 of the Act.

PART II: STATEMENT OF POLICY

5. **Purpose** – The purpose of this Determination is to provide for the minimum requirements for e-money issuers in Namibia.

6. **The Position of the Bank** – It is the Bank’s position that this Determination aims to create an enabling and fair environment in which e-money can be issued in a manner that is safe, efficient, secure and effective for the benefit of the National Payment System. Furthermore, this Determination intends to promote the availability and acceptance of e-money, enhance financial inclusion, promote innovation and wider participation, and specifying necessary safeguards and controls to mitigate risks associated with e-money schemes, and ensure consumer protection. Ultimately, this Determination aims to enhance the capabilities of an e-money wallet by providing a wider scope of services, make provision for interoperable wallets, enhance financial inclusion, promote competition, and encourage the development of innovative products and services, among other objectives, thus enhancing the current usage and application of e-money wallets in Namibia.

7. **Application of the Act** – Unless expressly stated otherwise, the provisions of the Act, as well as related Determinations, Directives, Guidelines, Circulars, Notices and any other relevant laws, will apply to all e-money issuers. This Determination supplements the provisions of the Act for the issuance of e-money and trust account operations.

PART III: IMPLEMENTATION

8. Licensing or Authorisation to Issue E-Money in Namibia

8.1 In terms of section 21 of the Act, a person may not issue e-money unless such a person is licensed or authorised as a Payment Service Provider by the Bank.

8.2 A banking institution that is currently not authorised to provide payment services and intends to issue e-money, must formally request for authorisation to do so from the Bank in accordance with PSD-1.

8.3 A person that intends to issue e-money as a non-bank financial institution must formally apply to the Bank to be licensed as payment service provider to issue e-money in accordance with PSD-1. A person that intends to issue e-money as a non-banking financial institution is required to hold an initial capital amount as determined by the Bank in the Payment System Notice.

8.4 A payment service provider that intends to issue e-money as an additional payment service must formally request for authorisation to do so, from the Bank in accordance with PSD-1.

PART IV: SPECIFIC REQUIREMENTS TO ISSUE E-MONEY IN NAMIBIA**9. Characteristics of E-Money**

9.1 E-money issuers must ensure that their e-money schemes satisfy the following characteristics:

- 9.1.1** E-money wallets and transactions must be denominated in Namibia Dollar and e-money balances must be redeemed at par value, less transaction fees where applicable.
- 9.1.2** Notwithstanding section 9.1.1 of this Determination, redemption may be subjected to a fee only if clearly stated in an agreement for every e-money user for whom an e-money wallet is created.
- 9.1.3** E-money issuers may not convert any loyalty bonus or reward points that users or agents may earn on an e-money wallet into cash or e-money. This provision does not preclude e-money users from earning loyalty or reward points on their e-money wallets.
- 9.1.4** E-money issuers will be subjected to transactional and balance limits in accordance with the Determination under the Financial Intelligence Act, 2012 (Act No. 13 of 2012), as amended: *Determination On (1) Amount Of Transaction Above Which Accountable And Reporting Institutions Must Establish Identity Of Clients; And (2) The Treatment Of Multiple Related Transactions In View Of Identification Threshold Objectives*, and any other relevant laws issued by the Bank.
- 9.1.5** E-money issuers must ensure that all e-money transactions affecting the value held on an e-money wallet are processed in real-time with settlement occurring on a daily basis.
- 9.1.6** E-money must be credited on the e-money wallet of a user in real-time and as soon as technically possible, after funds have been received by an e-money issuer or its agents.

10. Permissible E-money Services

10.1 An application to issue e-money must indicate the type of e-money services that the e-money issuer intends to offer, in accordance with the below permissible e-money services:

- 10.1.1** Person-to-person payments/transfers (P2P);
- 10.1.2** Person-to-business payments/transfers (P2B);
- 10.1.3** Business-to-person payments/transfers (B2P);
- 10.1.4** Business-to-business payments/transfers (B2B);
- 10.1.5** Interoperable on-sending of funds among e-money wallets and bank accounts;
- 10.1.6** Domestic money transfers, including to and from bank accounts;
- 10.1.7** Cross-border transfers;
- 10.1.8** Bulk transactions, including payments of salaries, benefits, pensions etc.;
- 10.1.9** Value added services i.e., airtime, water, electricity, gym membership etc.;
- 10.1.10** Loading value on a wallet (cash-in) and redeeming value from a wallet (cash-out) transactions;
- 10.1.11** Over-the-counter transactions; or
- 10.1.12** Any other transactions or services that the Bank may determine or approve.

10.2 Subject to the approval of the Bank, an e-money issuer, except for a micro e-money issuer, may enable its users to access:

- 10.2.1** savings products; and/or
- 10.2.2** investment products; and/or
- 10.2.3** credit products; and/or
- 10.2.4** insurance products,

on an e-money wallet in accordance with an agreement entered with a banking institution or a financial institution licensed by the relevant authority to offer savings, and/or investments, and/or credit and/or insurance products.

- 10.3** Pursuant to section 10.2 of this Determination, only e-money issuers with e-money wallets that comply with the following features, are permitted to offer their e-money users with access to savings and/or credit and/or insurance products:
- 10.3.1** the e-money wallet provided by the e-money issuer is the primary transactional wallet of the e-money user;
 - 10.3.2** the e-money wallet adheres to User Due Diligence requirements in accordance with section 24 and 39 of the Financial Intelligence Act, 2012 (Act No.13 of 2012), as amended and any other relevant laws issued by the Bank;
 - 10.3.3** the e-money wallet receives consistent inflows of funds from salaries/wages, pension or grants etc.;
 - 10.3.4** the e-money issuer is able to provide the e-money user with a statement of transactions performed on the wallet on a weekly and/or monthly basis;
 - 10.3.5** the e-money wallet enables the on-sending of funds; and
 - 10.3.6** the e-money wallet provided by the e-money issuer should be interoperable.
- 10.4** A request for approval from the Bank to offer e-money users with access to savings, and/or investments, and/or credit, and/or insurance products on an e-money wallet must be made in compliance with the provisions in the Payment System Notice.
- 10.5** E-money issuers will not be permitted to offer their e-money users access to savings and/or investment, and/or credit and/or insurance products without obtaining the requisite approval by the Bank and all the relevant regulatory authorities responsible for approving/licensing such products, in accordance with section 10.2 of this Determination.
- 10.6** The coupling of the products referred to under section 10.2 of this Determination to an e-money wallet is subject to the Bank's approval and in line with the relevant laws and regulations that govern the provision of savings, investment, credit and insurance products.

11. Licensing or Authorisation to Issue E-money as a Micro E-money Issuer

- 11.1** A person or payment service provider that intends to issue e-money on a limited scale must formally apply to the Bank to be licensed or authorised as a micro e-money issuer subject to the conditions imposed by the Bank in consultation with the applicant. A micro e-money issuer is subjected to the following conditions:
- 11.1.1** initial capital requirement as stipulated in the Payment System Notice;
 - 11.1.2** only offer person-to-person (P2P) or/and person-to-business (P2B) e-money services;
 - 11.1.3** only conduct e-money transactions not exceeding N\$5,000.00 per day;
 - 11.1.4** not have total funds exceeding N\$1 million with respect to issuing e-money;
 - 11.1.5** not offer access to insurance, investment, or savings, or credit products; and
 - 11.1.6** any other conditions determined by the Bank.
- 11.2** Pursuant to section 11.1 of this Determination, the Bank may waive any requirement applicable to a micro e-money issuer provided that such a micro e-money issuer has satisfactorily demonstrated to the Bank that it has the operational, financial, and technical capability to provide e-money services without such a requirement.
- 11.3** In the event that a micro e-money issuer no longer wishes to operate on a limited scale, in accordance with section 11.1 of this Determination, such a micro e-money issuer must formally request for authorisation from the Bank to operate without the requirements provided under section 11.1 of this Determination.
- 11.4** Pursuant to section 11.3 of this Determination, the formal request must be submitted at least three (3) months in advance to the Bank and must be done in accordance with the Act, this Determination and/or in any other relevant laws.

12. Types of E-Money Wallets

12.1 E-money issuers may offer the following wallets:

12.1.1 Interoperable individual wallets to be used by individuals.

12.1.2 Interoperable business wallets for businesses, organisations, and government entities.

Business wallets may be used to facilitate a variety of payment related services, including but not limited to the following:

(a) Payment of salaries or social benefits by government entities (government-to-person);

(b) Payment of salaries or fees by businesses (business-to-person); or

(c) Payment for goods received or services rendered (business-to-business).

12.1.3 Agent wallets to facilitate the transfer and usage of e-money funds and wallets on behalf of the e-money issuer.

13. Safe Storage of User Funds

13.1 In order to ensure that user funds are protected against loss, e-money issuers must comply with the following requirements –

13.1.1 An e-money issuer must open and maintain a trust account with a banking institution for the purpose of pooling funds received from users and agents in exchange for e-money issued in accordance with section 22 of the Act.

13.1.2 Subject to section 13.1.1 of this Determination, a banking institution is required to open and maintain a special account in its own books of account for pooling funds received from users and agents in exchange for e-money issued in accordance with section 22 of the Act.

13.1.3 E-money funds held in a trust account or a special account must not form part of an e-money issuer's assets or liabilities and may not be used to meet any debt obligation or operational expenses of the e-money issuer.

13.1.4 Funds in a trust account or a special account may not be comingled with the funds of any natural or legal person other than the e-money users or agents on whose behalf the funds are held.

13.1.5 At all times, the aggregate value of the pooled funds must equal at least 100% of the value of all outstanding e-money funds. These funds must be reconciled on a daily basis, with any deficiencies addressed within one (1) business day.

13.1.6. Except with respect to section 13 of this Determination, e-money pooled funds may only be used to fund user and agent transactions, such as redemptions or other transactions that result in a net reduction in the value of outstanding e-money funds.

13.1.7 An e-money issuer must ensure that the trust account or special account is audited on an annual basis by a qualified independent auditor and in line with generally accepted accounting principles and good governance practices.

PART V: COMPLIANCE REQUIREMENTS FOR E-MONEY ISSUERS

14. Interest Earned on Pooled Funds

14.1 E-money issuers are permitted to earn interest on pooled funds, however such interest may only be withdrawn or used to pay fees or charges related to the administration and maintenance of the e-money scheme, if the remaining aggregate value of the pooled funds would equal at least 100% of the value of all outstanding e-money funds.

14.2 Interest accrued from the balance in a trust account or a special account should be used to benefit the e-money scheme, thereby ensuring that e-money fees and charges levied to users remain low, reasonable and are in the public interest.

15. Unclaimed Funds and Dormant Wallets

15.1 This section provides procedures to be followed by e-money issuers for the treatment of dormant e-money wallets:

15.1.1 A user's e-money wallet must be considered dormant if it does not register a transaction for a consecutive period of six (6) months. The transaction can be initiated either by the user or by a third party on the user's e-money wallet.

15.1.2 The concerned user must be notified one (1) month before the six (6) month period is reached that the e-money wallet will be considered dormant unless there is activity on the e-money wallet.

15.1.3 An e-money issuer may not charge any fees or interest on a dormant e-money wallet.

15.1.4 Funds in a dormant e-money wallet must not be intermediated or treated as income by the e-money issuer.

15.1.5 Funds in an e-money wallet that is considered dormant, after a period of six (6) months, must be dealt with in the following manner –

- (a)** If the recipient is known and has a primary banking account with the e-money issuer, the funds must be returned to the recipient's primary banking account; or
- (b)** If the recipient's identity is known (Know Your Customer "KYC") and has no active banking account, the recipient should be contacted, and the full amount should be returned; or
- (c)** In the event that the recipient is deceased, funds in the e-money wallet must be paid to the Master of the High Court to open in the books of the Guardian's Fund an account in the name of the person to whom the funds belongs or to form part of the person's estate in accordance with the Administration of Estates Act, 1965 (Act No. 66 of 1965), as amended; or
- (d)** If the recipient of the e-money wallet is not known but the sender is known by the e-money issuer, the funds should be returned to the sender provided that the sender, on a balance of probability submits proof that he/she is the rightful owner of the funds; or
- (e)** In the event that none of the above can be applied, the value of e-money funds in dormant wallets must be deposited immediately into a separate bank account and be kept for a period of three (3) years, whereafter the funds must be transferred to the Bank, to be used for public policy objectives or public charitable purposes, which will be communicated to the e-money issuers prior to the use of the funds.

16. Request for Approval and Notification of Significant Changes to E-Money Services

16.1 In addition to the requirements stipulated in section 17 of PSD-1, an e-money issuer is required to request approval from the Bank at least thirty (30) business days prior to the proposed changes on the following aspects but are not limited to:

- 16.1.1** change in the method or mode of issuing e-money or providing e-money services;
- 16.1.2** offering of savings and/or investment and/or credit and/or insurance products; or
- 16.1.3** change in ownership or partnership/agent agreements; or
- 16.1.4** merger/acquisition with another or more e-money issuers; or
- 16.1.5** appointment or acquiring of a new agent network.

16.2 An e-money issuer is required to notify the Bank within a period of thirty (30) business days of its intention to make any significant changes to the scope or nature of its e-money business model and may not proceed to implement the envisaged change(s) before notification is provided.

17. User Protection and Disclosure

- 17.1** E-money issuers must ensure compliance with the consumer protection requirements stipulated in PSD-1, and/or any other relevant laws.
- 17.2** E-money issuers must ensure that their Risk Management Frameworks include adequate security measures outlined to protect customer data from unauthorised access, disclosure, alteration, and destruction.
- 17.3** E-money issuers must take steps to ensure that users understand the services which they are using including the inherent risks of using such services and are protected from fraud and other forms of user abuse in so far as is reasonably possible.
- 17.4** All fees and charges related to e-money services should be transparently displayed in the e-money issuers' outlets, transacting platforms (mobile applications, USSD¹, etc), banking halls and websites, and should not be misleading or bundled, to ensure that users pay the fee/charge that is publicly displayed.
- 17.5** An e-money issuer must display, at all its premises and those of its agents as well as digital channels, information on how users can bring disputes and complaints to the attention of the e-money issuer, including providing contact details or other accessible methods for expeditious resolution of disputes.
- 17.6** To reduce the risk of fraud or other forms of user abuse, e-money issuers are required to provide users with the following information when establishing a business relationship to offer services:
- 17.6.1** Clarification of the roles and responsibilities of the e-money issuer, agents, and users;
 - 17.6.2** Sufficient and accessible information to users on their rights and responsibilities;
 - 17.6.3** A clear description of available services and the fees or charges for using these services, including fees applicable to redemption of e-money and balance enquiries;
 - 17.6.4** State that e-money may be redeemed at par value (minus any disclosed fees) at any time;
 - 17.6.5** A user agreement in place that clearly stipulate the e-money product, and the rights of both the e-money issuer and the e-money user. Such agreement should be clear and understandable by both user and e-money issuer;
 - 17.6.6** Pursuant to 17.6.5 of this Determination inform users of any limitation of liability, exclusion, indemnity or assumption of risk as set out in the agreement before entering into the agreement; and
 - 17.6.7** User care procedures for complaints together with the email address, physical address and contact number of the e-money issuer;
- 17.7** E-money issuers are required to conduct public education campaigns on an annual basis to guard against fraud and raise awareness on various measures to protect e-money wallets.
- 17.8** E-money issuers must upon request from an e-money user provide the e-money user in writing with the balance remaining in the e-money wallet(s) as well as a statement of transactions as and when requested.

PART VI: ADDITIONAL REGULATORY REQUIREMENTS**18. Daily Transaction and Monthly Balance Limits**

- 18.1** E-money issuers are subjected to the daily and monthly transaction limits contained in the Payment System Notice as approved by the Financial Intelligence Centre.
- 18.2** The on-sending of funds between and among e-money wallets and bank accounts is permitted in line with the daily transaction and monthly balance limits.

¹ Unstructured Supplementary Service Data

19. Reporting

- 19.1** E-money issuers must submit reports as required by the Bank in terms of section 23 of PSD-1 on the following:
- 19.1.1** the number of dormant e-money wallets, including the cumulative value on the dormant e-money wallets;
 - 19.1.2** the balances of the dormant account on a monthly basis;
 - 19.1.3** the number of terminated e-money wallets, including the cumulative value on those terminated dormant e-money wallets deposited into the separate bank account referred to in section 15.1.5. (d) of this Determination;
 - 19.1.4** total interest accrued on the trust account and attestation that the total pooled funds in the trust account are at least equal to the value of all outstanding e-money funds;
 - 19.1.5** proof of compliance with section 13 of this Determination, provide the Bank with the trust account or special account bank statement for the year and how the accrued interest was used in line with section 14 of this Determination, after three (3) months of its financial year end; and
 - 19.1.6** any other matter as determined by the Bank.
- 20. Administrative Penalties** – An e-money issuer that contravenes or otherwise fails to comply with this Determination will be subjected to administrative penalties as provided in section 40 of the Act.
- 21. Repeal of PSD-3** – This Determination repeals and replaces the Determination on Issuing Electronic Money Namibia (PSD-3), published under General Notice No. 492, in the Government Gazette No. 7064 issued on 28 November 2019.
- 22. General** – This Determination is not exhaustive and may be supplemented and/or amended from time-to-time.
- 23. Effective Date** – This Determination will come into effect six (6) months from date of publication in the *Gazette*.
- 24. Enquiries** – All enquiries related to this Determination must be forwarded to:

The Director
National Payment System and Financial Surveillance Department
Bank of Namibia
P. O. Box 2882, Windhoek
Namibia
Email: oversight.policydivision@bon.com.na
