



**PRESS RELEASE 2<sup>ND</sup> OCTOBER 2015  
CHEQUE REDUCTION STRATEGY**

The Item Limit for Cheque Payments within the National Payment System will be reduced from the current N\$500,000 (five hundred thousand Namibia Dollars) to N\$100,000 (hundred thousand Namibia Dollars) effective 1<sup>st</sup> of February 2016. Phasing out of cheques altogether, is anticipated by the 31<sup>st</sup> of December 2017 and earlier phasing out of cheques by customers is strongly recommended to avoid any inconvenience or interruptions.

The check limit reduction and the phasing out of checks altogether are indeed signs of our common journey of transition toward electronic based payment methods.

The decision by industry to phase out cheques as a payment method was taken by the industry, under the auspices of PAN, based on an analysis of cost and benefits. The ongoing decline in the number of cheques used as a payment method of about 47% between 2009 and 2014, (a reduction of about 8 % year-on-year), uncertainty of payment receipts, possibility of fraud as well as escalating processing cost related to maintaining an outdated infrastructure, have necessitated the review of payment method choices and to avoid the continual escalation of cheque processing transaction costs in a declining volume environment. The reduction of the cheque item limit will lead to greater efficiency as no uncleared effects are associated with alternative payment methods.

All these reasons led to the position where the industry is feeling the pressure of having to process a declining volume on an archaic, large and inflexible infrastructure. The opportunity is there to proactively work together for improved cost saving processes. The industry is committed to reach out to their customers to communicate all alternate payment methods.

Electronic payment methods, including new and emerging electronic payment methods, have become eminent means of transacting in an efficient and secure manner and will continue to form an integral strategic focus area for all stakeholders. Through collaboration, work will form part of PAN's Cheque, Electronic Fund Transfer and Card participation groups, including work to be undertaken by the individual financial institutions to enhance service offerings to customers through innovation.

The sentiment voiced on the current network availability is very valid and duly noted. To address the concerns and challenges of the farming community, other businesses and individuals, the Payments Association of Namibia (PAN) plans to promote the migration of paper payments to electronic payments by researching viable alternatives to cheques, enhancing the existing electronic payments methods and facilitating new and emerging electronic payment methods in its framework as part of the National Payment System Vision. The products that are available to the customers include but are not limited to mobile banking, internet banking, money transfers, individual institutions have electronic transactions capability of handling transactions above N\$100 000, e-money, card and cheque payment methods.

The emphasis by the industry is to focus more on aligning customers' and businesses' behaviour towards the usage of alternative payment methods. As a possible action plan, the industry will reduce the cheque item limit, thereby obliging the existing cheque users to initiate payments through alternative payment methods, including Card, Electronic Fund Transfer and Cheques. Thus, rather than hampering the operations of businesses and individuals, especially in the short-term, cheques will still be accepted but only at a lower limit as from, 1<sup>st</sup> of February 2016 to 31<sup>st</sup> of December 2017 when cheques would be phased out altogether.

During the last 6 years the use of cheques in Namibia has been declining steadily as consumers have access to a greater range of more convenient payment options. In fact, in the past year alone, the total number of cheque volumes processed through the cheque clearing system has dropped from 2,4million to 2,2million a decline of 12%. This marked decline in cheque use strongly suggested that the future direction of cheques would need to be managed, through alternate payment methods in the national payment system.

For more information customers should contact their individual banking institutions immediately to obtain the relevant information on product and service offerings.

Please visit [www.pan.org.na](http://www.pan.org.na) to obtain a copy of this press release.