

## **BANK OF NAMIBIA**

No. 3

16 April 2008

### **DIRECTIVE UNDER THE PAYMENT SYSTEM MANAGEMENT ACT, 2003 (ACT NO. 18 OF 2003)**

In my capacity as Governor of the Bank of Namibia (The Bank), and under the powers vested in the Bank by virtue of section 13 of the Payment System Management Act, 2003 (Act No. 18 of 2003), I hereby issue the Directive on the conduct of card transactions within the National Payment System in Namibia (PSDIR-3), which Directive shall become effective on 31 October 2008.

**T.K. ALWEENDO**  
**GOVERNOR**

Windhoek, 16 April 2008

### **DIRECTIVE ON THE CONDUCT OF CARD TRANSACTIONS WITHIN THE NATIONAL PAYMENT SYSTEM**

#### **Overview**

One of the key objectives of the Namibia National Payment System reform project is to take the Namibian interbank domestic transactions (EFT, Cheque, Card) out of the South African National Payment System so they are to be cleared locally and settled in Namibia Inter-bank Settlement System (NISS). In addition Namibia was required to manage and control its own domestic exposure and risks.

Historically, switching of Namibian domestic card transaction was performed by Saswitch as an integral part of the South African clearing and settlement process. With Namibia becoming an own sovereign state the Namibian banking industry was required to establish its own independent Switching System. The Namibian banking industry will implement own Card Switching System ("Namswitch") in April 2008.

At this point in time, numerous companies operating in both Namibia and South Africa submit their Namibian domestic card transactions as part of their South African batches and as a result these transactions are seen as South African domestic card transactions and are not included in the Namibian clearing and settlement process. As a result, part of the Namibian domestic exposure and risk remains in the South African payment system due to the fact that the Namibian clearing and settlement process is bypassed.

From a regulatory and risk perspective this is not acceptable and notice is hereby given to all Namibian registered companies to effect and implement the necessary system changes to meet respective implementation dates as laid down in this Directive

#### **1 Purpose**

The purpose of this directive is to notify all Namibian registered companies engaged in the business of issuing and acquiring card transactions, as defined in the directive:

- 1.1 To effect and implement the necessary system and infrastructure changes and submit all Namibian domestic inter-bank card transactions through a Namibian Card Switching System (Namswitch) for clearing and settlement.

- 1.2 To effect necessary changes on current and future cards issued to Namibian customers so as to switch transactions acquired on these cards through Namswitch.
- 1.3 To cease the practice of cross-border acquiring of Namibian interbank domestic card transactions.

## **2 Definitions**

In this Directive, unless the context indicates otherwise, the words and expressions used herein shall have same meaning assigned to them in the Payment System Management Act, 2003 (Act No. 18 of 2003) and cognate expressions shall have corresponding meanings.

- 2.1 'Closed loop transactions' means transactions conducted using private label card that is not usable in a public domain. It can only be used in the domain of the entity that issued the private label card. An example of this is the in-store gift card that can only be used in that particular store or a prepaid telephone card that can only be used on a particular network.
- 2.2 'Cross-border acquiring' means a domestic inter-bank card transaction that is acquired by the non-Namibian registered company.
- 2.3 'International card transaction' means a transaction (at Automated Teller Machine or Point of Sale device) that is acquired by the Namibian registered company that is initiated by a card that is issued by a non-Namibian issuer.
- 2.4 'Namclear' means Namibian Clearing Services Company.
- 2.5 'Namibian companies' mean companies registered under the Companies Act, 1973 (Act No. 61 of 1973) including banking institutions, payment system service providers and retailers issuing cards and acquiring card transactions.
- 2.6 'Namibian domestic inter-bank card transaction' means a card transaction (at Automated Teller Machine or Point-of-Sale terminal) that is acquired by a Namibian registered company that is initiated by a card (debit and credit cards) that is issued by a Namibian registered company.
- 2.7 'Namswitch' means Namibia Card Switching Service hosted and operated by Bankserv Pty Limited.
- 2.8 'NISS' means Namibia Inter-bank Settlement System which facilitates the settlement of all domestic transactions in Namibia dollar at Bank of Namibia.
- 2.9 'Payment System service provider' means a person registered in terms of Payment System Management Act.
- 2.10 'Petrol/Garage cards' means cards that enable cardholders to access a revolving credit facility. The credit card holder can use the card to make fuel purchases up to a pre-arranged limit at petrol stations.
- 2.11 'Private label cards' means cards issued by retailers and/or banking institution to purchase goods and services from a specific retailer or within a group of retailers. Private label cards transactions are by nature 'closed-loop transactions' and therefore do not involve inter-bank clearing and settlement.
- 2.12 'Saswitch' means South African Card Switching Service operated by Bankserv Pty limited.

### **3 Implementation of Directive**

- 3.1 This directive shall be effective from 21 April 2008 for Namibian domestic inter-bank card transactions at Automated Teller Machine (ATM), and from 31 October 2008 for Namibian domestic inter-bank card transactions at Point-of-Sale terminals (POS).
- 3.2 It is required from Namibian companies to implement necessary system and infrastructure changes to facilitate switching of Namibian domestic inter-bank ATM card transaction through Namswitch by 21 April 2008.
- 3.3 It is required from Namibian companies to implement necessary system and infrastructure changes to facilitate switching of Namibian domestic inter-bank POS card transactions through Namswitch by 31 October 2008.
- 3.4 Namibian companies are required to effect necessary changes on current and future cards issued to Namibian customers so as to switch Namibian interbank domestic card transactions through Namswitch.
- 3.5 Namibian companies shall cease the practice of cross-border acquiring of Namibian interbank domestic card transactions after 31 October 2008.
- 3.6 Namibian domestic inter-bank card transactions exclude Petrol, Garage and Private Label card transactions.
- 3.7 All international card transactions shall be switched through card associations (VISA and MasterCard) after 31 October 2008.

### **4 General**

- 4.1 This directive is not exhaustive and may be supplemented and/or amended from time to time.
- 4.2 In order to maintain the cost-effective, efficiency of the National Payment System all Namibian registered companies in NPS that are, or become involved in card transactions are obliged to act in accordance with this directive.
- 4.3 Contravention of this directive is an offence in terms of section 13 of the Payment System Management Act, 2003 (Act No. 18 of 2003) and is subject to penalties under section 17 of the Payment System Management Act, 2003 (Act No. 18 of 2003)

### **5 Enquiries**

Any enquiries or clarification concerning the directive may be address to:

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