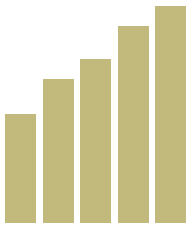




Annual Report **2013**







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Sarafina Hafenanye

CLEANER



Lydia Iiyambo

ADMINISTRATION  
OFFICER



Mberipura Hifitikeko

REGULATORY &  
COMPLIANCE MANAGER



Annette Rathenam

CHIEF OPERATING  
OFFICER



Saima Herman

OPERATION OFFICER

## EXECUTIVE OFFICE

MANAGEMENT COUNCIL

CHIEF OPERATING OFFICER  
Annette Rathenam

ADMINISTRATION  
Lydia Iiyambo

REGULATORY & COMPLIANCE MANAGER  
Mberipura Hifitikeko

OPERATION OFFICER  
Saima Herman

CLEANER  
Sarafina Hafenanye

## ORGANISATIONAL STRUCTURE





Albert Matongela

PRINCIPAL MEMBER  
FIRST NATIONAL BANK



Nick Klazen

PRINCIPAL MEMBER  
NEDBANK



Kennedy Kandume

PRINCIPAL MEMBER  
STANDARD BANK



Chris Diemer

PRINCIPAL MEMBER  
BANK WINDHOEK



Sergio De Sousa

PRINCIPAL MEMBER  
BANK OF NAMIBIA



Herman Kruger

ALTERNATE MEMBER  
FIRST NATIONAL BANK



Charlene Jansen

ALTERNATE MEMBER  
NEDBANK



Bradwyn Beukes

ALTERNATE MEMBER  
STANDARD BANK



Ryan Geyser

ALTERNATE MEMBER  
BANK WINDHOEK



Moody Tembo

ALTERNATE MEMBER  
BANK OF NAMIBIA



Gerald Riedel

PRINCIPAL MEMBER  
E-BANK



Annette Rathenam

CHIEF OPERATING  
OFFICER



Lily Brandt

CHAIRPERSON



Ben Herunga

PRINCIPAL MEMBER  
SME BANK



Virgilio Plaatje

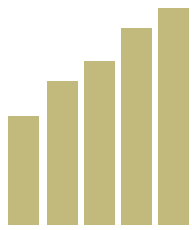
ALTERNATE MEMBER  
E-BANK



Beatrice Kahunda

ALTERNATE MEMBER  
SME BANK

## MANAGEMENT COUNCIL



## CHAIRPERSON'S FOREWORD

The PAN Management Council provides the vision to ensure that risks in the National Payment System (NPS) are adequately addressed through regulatory and mitigating measures to safeguard the integrity of the system.

During the course of the year, the PAN office executed the mandate to ensure the efficiency, safety and security of the NPS.

Promoting payment industry collaboration, PAN continued to drive payment system policy development, implementation and self-regulation.

Our aim, to manage and regulate fairly, equitably and transparently the participation, innovation and development of the NPS and its stakeholders, was further promoted through the execution of the PAN strategy and elements of the NPS Vision 2015, in particular to:

- Address issues related to financial fraud and ways to combat these, particularly the industry participation in the EMV project, the international best practice of inter-operation of Card, ATM and POS to improve security against fraud;
- Manage stakeholder perceptions by continuing to create a better public awareness of the role of PAN and to enhance payment system literacy;
- Promote efforts to create new payment instruments that would address the particular needs of customers;
- Implement payment system policies; and
- Support regional harmonisation of national and cross border payment system practices.

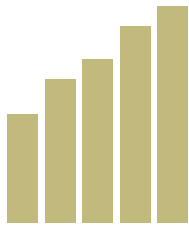
It is anticipated that during the ensuing year further collaboration amongst stakeholders, including banking institutions and non-banking institutions, will be enhanced. In addition, the regional collaboration would be supplementary as more SADC initiatives will be embarked upon.

Looking back at our collective achievements of 2013, I wish to take this opportunity to thank the PAN Management Council, the staff of the PAN Executive Office, all participants in the PCH's, Committees and Forums for their contributions during 2013. It is through all your efforts that PAN has achieved its milestones.

We would like to invite you to read on as we share our accomplishments of 2013 and for you to gain an understanding of our domestic and regional payment environment and future initiatives.



Lily Brandt  
CHAIRPERSON



## REVIEW BY THE CHIEF OPERATING OFFICER

During 2013, PAN continued to safeguard the safety and reliability of the National Payment System (NPS), while pursuing the NPS vision to maintain a world-class payments system and to meet domestic, regional and international requirements.

Stakeholder relations were enhanced through collaborative approaches, including training and educational sessions which spoke to issues pertaining to bank card fraud, skimming devices and bank card cloning.

The collaborative approach was further demonstrated on the progress made in terms of the NPS Vision 2015, in particular the interoperability, standards, infrastructure and technological strategic focus areas. The full implementation, localisation and interoperable Card and Electronic Fund Transfer systems through the Namclear Namibia Clearing House Project, operated by Namclear, was realised. The immediate benefits that were derived from this project included but were not limited to the increased number of skilled individuals in Namibia, the standards that were adopted to strengthen the integrity and security of transactions within the NPS, while the cross border transacting through Card, Swift and EFT payment instruments continued to be available to customers.



Collaboration was also extended to the SADC BA due to the participation in the SADC regional integration project, in particular the discontinuation of cross border cheques during the year under review. This process ran parallel to the SIRESS project that was implemented on the 22 July 2013 in which all the Namibian banking institutions participated.

Stakeholder perceptions were addressed during the year when members of the public were encouraged to utilise the preferred electronic payment methods such as Card, EFT and Swift with the discontinuation of cross border cheques, drafts, foreign and travellers' cheques.

The safety and reliability of the NPS is underpinned by the adoption of international standards of EMV and PCI DSS to safeguard Card transactions against fraud. The implementation of EMV standards, in particular the technological and infrastructure changes to ATM and POS devices and networks have been completed by most banking institutions.

The PCI DSS process is underway and banking institutions will progressively be phased in by 2015. In this regard, banking institutions remain committed to the strategy to collectively ensure the safety and security within the NPS.

PAN membership remains at six, while EBank has received the status of provisional membership pending a full banking license by the Bank of Namibia.

PAN focused on the need to build strong relations and to enhance collaboration between PAN, its members, staff and stakeholders as one of the strategic goals of PAN.

PAN remains committed to its vision to manage and regulate fairly, equitably and transparently the participation, innovation and development of the NPS and its stakeholders, for the benefit of the Namibian nation.

Annette Rathenam  
CHIEF OPERATING OFFICER





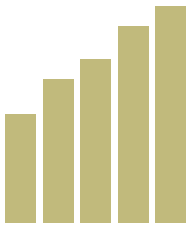
# PAN ACTIVITIES



## ATM CRIME AWARENESS INITIATIVE

PAN branded the City of Windhoek buses during the public awareness campaign on ATM crime.



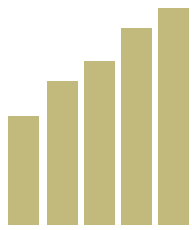


## PAN ACTIVITIES (CONTINUED)

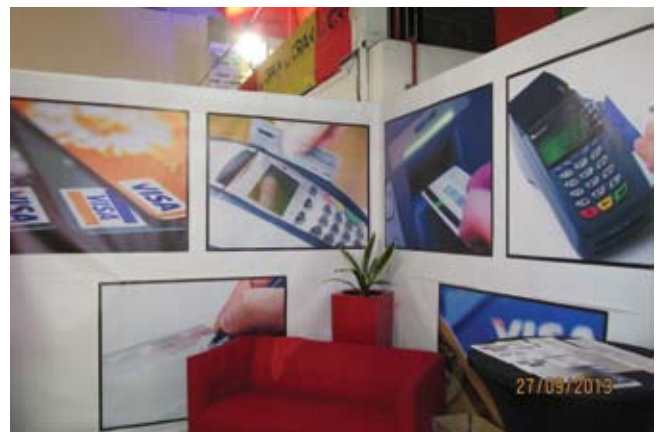


### PAN AT THE 2013 ONGWEDIVA TRADE FAIR

PAN had a corner stand at the Ongwediva Trade Fair and enthusiastically supported the Financial Literacy Initiative in their efforts to educate the public through Edu-tainment.



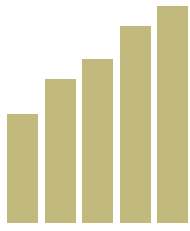
**PAN**  
ACTIVITIES (CONTINUED)



PAN AT EXPOS

PAN at the 2013 Namport Erongo Business and Tourism Expo and Windhoek Agricultural Show.





## PAN ACTIVITIES (CONTINUED)



### FRAUD TRAINING

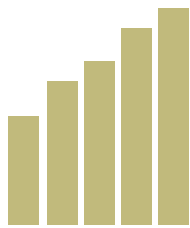
Members of the Namibian Police, City Police, Prosecutors and PAN attended a training on card skimming investigation techniques.



### MANAGEMENT COUNCIL

The former Chairperson of PAN, Mr Hartmann, hands over to Mrs Lily Brandt.





## PAN PUBLICATIONS

### ATM CRIME AWARENESS

#### PROTECTING YOUR CASH AFTER WITHDRAWALS

Criminals are known to identify banking clients that have made cash withdrawals from ATMs, to follow them and rob them of their cash. They often roam around the area around ATMs in order to 'mark' their targets who are usually people that have withdrawn large amounts of cash.

#### Follow these TIPS to avoid falling victim:

- Be observant of your surroundings when doing an ATM transaction
- Never openly count the cash you withdraw from an ATM
- Choose a well lit ATM situated in a safe environment
- Be in the company of someone you trust when making large cash withdrawals
- Think of using the ATM to make transfers instead of drawing large amounts of cash

#### PROTECTING YOUR BANK CARD & PIN

Your bank card & PIN are your personal keys to secure banking. Criminals are aware of this and use various tricks to steal them in order to steal your money. Often they look over your shoulder when you are busy at the ATM and steal your PIN, & come up with ways of getting hold of your card to skim it. In that way, they will have both your card and PIN and are free to steal money from your account.

#### Follow these TIPS to avoid falling victim:

- Block the ATM PIN pad with your free hand when you key in your PIN
- Memorize your bank card PIN and never write it down
- Never share your bank card PIN with anyone, not even a close relative or a bank official

### PROTECTING YOUR BANK CARD

The trapping of your card in the ATM slot is one of the means used by criminals to distract you. They are known to use your frustration to build a relationship of trust with you, and thereafter trick you into giving away your PIN & bank card. Once they have your PIN & card, they are free to withdraw money from your account.

#### Follow these TIPS to avoid falling victim:

- Never force your card into an ATM slot
- If your card is trapped or swallowed by an ATM, do not leave the ATM. Call the bank card stop number immediately to cancel the card before leaving the ATM.
- Do not accept an offer to use someone else's phone when phoning your bank to cancel your card

### PROTECTING YOUR BANK CARD FROM CARD SWAPPING

Criminals often distract you when you are making an ATM transaction in order to create an opportunity to steal from you. They are able to swap your ATM card with a similar looking card while you are not looking, and will use both your card and ATM PIN that they stole by looking over your shoulder, to steal your money.

#### Follow these TIPS to avoid falling victim:

- Don't let anyone stand too close to you when using the ATM
- Never let anyone distract you when using the ATM
- Never ask anyone to help you when using the ATM but rather seek the assistance of the bank

**"BE SMART, BE SAFE"**

### SKIMMING CARD DEVICES

Criminals are able to copy information illegally from the magnetic strip (black strip) on the back of the bank cards, and use this information to steal money.

The device used to copy the information is called a skimming device.

Skimming devices can either be handheld or mounted onto an ATM.



## TRANSACTION LIMITS AND SURCHARGING ON DEBIT & CREDIT CARD PAYMENTS BY MERCHANTS

### 1. INTRODUCTION AND BACKGROUND

The Payments Association of Namibia (PAN) is empowered by the Payment System Management Act, 2003 (Act No.18 of 2003), as amended, section (3) (1) to manage the National Payment System (NPS). With this comes the responsibility to ensure compliance within the NPS to local and international card operating rules and regulations.

PAN has learned that some merchants are adding a surcharge (additional fee) to card transactions or are setting minimum or maximum transaction amount as a condition for accepting debit or credit cards for payment. Such practices have a negative impact on consumers and are in direct violation of VISA International Operating Regulations (ID#: 11011-010410-0006948 and ID#: 11011-210710-0026405) and MasterCard Rule 5.11.3.

### 2. ACQUIRERS AND MERCHANTS

Acquirers and Merchants must comply with all card operating rules and regulations to protect the integrity of the payments systems.

#### Merchants are reminded that they are required to:

- Treat all debit and credit card payments like any other method of payment without additional costs (surcharges) added to the value.
- Honour valid debit and credit cards in their acceptance category regardless of the dollar amount of the purchase.

#### Acquiring banks are reminded to ensure:

- Merchants do not differentiate methods of payments by adding a surcharge fee on any card payments.
- Merchants do not impose a minimum or maximum purchase amount for the acceptance of card transactions.

### 3. PAN'S POSITION

Carrying around large amounts of cash poses a risk to the individual. With a debit or credit card, you can pay for goods and services in a safe and secure manner. Cards also offer a fast and convenient way to shop. Penalizing consumers for use of payment cards is not only in contravention of card operating rules, but it unfairly shifts the cost of electronic payments onto the consumer.

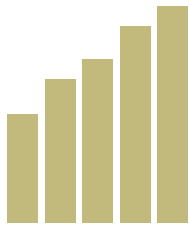
### 4. COMPLAINTS AND PENALTIES

The public is encouraged to report any non-compliance with this notice to PAN. If PAN becomes aware of a merchant's non-compliance with any operating rules and regulations, PAN may notify the acquirer of such non-compliance and the acquirer must promptly ensure the merchant discontinues the non-compliance practice immediately.

Failure to comply with this notice, PAN may pursue any remedial measure(s) as provided under Section (16A) (1) of Payment System Management Act, 2003 (Act No.18 of 2003), as amended, or the relevant card operating rules and regulations.



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## PAN PUBLICATIONS (CONTINUED)



### CREDIT AND DEBIT CARD FRAUD ALERT

*ALWAYS familiarise yourself with the look and feel of the ATM fascia.*

**BEWARE** skimming devices come in the form of a hand-held or an ATM-mounted device. Devices can be installed over the top of ATM card slots in just seconds.

**REMAIN CALM AND DO NOT EVER** remove any of these devices. Report to your bank's 24 Hour Helpline/Customer Contact Centre or the Police immediately.

**BEWARE** if anyone may be trying to assist you or act suspiciously around ATMs or POS (speed point or in-shop terminal) devices and report this to your bank immediately. Always use ATMs that are guarded and are situated in well-lit areas at night. Never let your card out of your sight.

**ALWAYS** hold your hand or a protective item over the keypad when entering your PIN number and never let anyone watch you when you enter the pin.



### BEWARE OF SKIMMING DEVICES AT ATMS, POINT-OF-SALE (POS) TERMINALS AND SPEED POINTS

#### PROTECT YOUR BANK CARDS

##### DO NOT ALLOW:

- your debit or credit cards out of sight for a transaction to be processed;
- your card to be swiped twice when making a POS terminal purchase (speed point OR in-shop terminal) transaction at any merchant, UNLESS the first attempt was declined, VERIFY that the transaction was declined;
- anyone or anything to distract you when performing a transaction either at the ATM or at the POS terminal;
- your credit or debit card to be swiped through two different devices. If that happens, contact your bank immediately and cancel your card.

**REPORT** any unusual or unauthorised transactions on your debit or credit card statement to your bank immediately.

**CONTACT** your bank immediately if you are aware of any suspicious activity or if you are a victim. If your card is lost or stolen, stop the card immediately by calling your bank's 24 Hour Helpline/Customer Contact Centre. Save this number on your cellphone to have it handy when you need it.

Bank Windhoek – Tel (+264 61) 299 1200 – Fax (+264 61) 299 1282  
 First National Bank Namibia – Tel (+264 61) 299 2999  
 Nedbank – Tel (+264 61) 295 2222 – Fax (+264 61) 295 2365  
 Standard Bank Namibia – Toll-free number: 081 9286 or (+261 61) 294 2136  
 Police – Tel (+264 61) 290 2239  
 PAN – Tel (+264 61) 41 5420



#### PHASING OUT OF CROSS-BORDER CHEQUES AND BANK DRAFTS WITHIN COMMON MONETARY AREA (CMA) COUNTRIES: NAMIBIA, SOUTH AFRICA, SWAZILAND AND LESOTHO

On 24 July 2013 it is intended that the Southern African Development Community (SADC) regional inter-bank settlement system, to be known as SIRESS - SADC Integrated Regional Electronic Settlement System, will move into the production environment. This system will commence with the settlement of intra-CMA credit transfers requiring immediate settlement. Going forward, the SIRESS system, and associated processes, will only cater for the settlement of electronic payment instruments.

Due to the fact that SIRESS will only cater for electronic payment instruments no clearing of paper instruments, like cheques and bank drafts, will be provided for intra-regionally and therefore banks in the Common Monetary Area (CMA) now need to prepare for this and advise their customers accordingly.

Banks are to notify their customers that the last date for the depositing of bank drafts and cheques drawn on a bank outside of the country of deposit will be 22 July 2013 and the associated inter-bank clearing will be completed by 5 August 2013. Earlier phasing out of cross border cheques is strongly advised. Cheques deposited after the 22 July 2013 will not be handled on a collection basis. Please note that no cheques were drawn on banks between Namibia, Lesotho and Swaziland in the past.

The alternative and preferred method of payment will be electronic credit push transfers that will be settled through SIRESS on an immediate basis. All banks to the CMA will have tested the functionality of such payments during the SIRESS testing phase 6 May 2013 to 13 July 2013 and will be able to provide their customers with this method of payment when SIRESS goes into production.

This is an important and significant event in the deployment of a SADC-wide payment infrastructure in the region, and the cooperation of all banks in the CMA will be required, in order to ensure both, a smooth introduction of the new intra-regional settlement system, and a transition from paper based payment instruments to electronic ones.

For more information customers should contact their banks' Customer Contact Centre on the following numbers:

Bank Windhoek – Tel: (+26461) 29 1200 – Fax: (+26461) 2991282  
 First National Bank Namibia – Tel: (+26461) 299 2999  
 Nedbank – Tel: (+26461) 295 2222 – Fax: (+26461) 295 2365  
 Standard Bank Namibia – Toll free number: 081 9286 Tel: (+26461) 294 2136  
 PAN – Tel: (+26461) 415 420 – Fax: (+26461) 415 430 (8am – 5pm)



### PUBLIC NOTICE ON THE CONDUCT OF SERVICE PROVIDERS WITHIN THE NATIONAL PAYMENT SYSTEM

#### 1. Introduction

The Payment Association of Namibia (PAN) is empowered by the Payment System Management Act (PSM Act) 2003, section (3) (1) to manage the National Payment System (NIPS) and regulate the participation of its members.

#### 2. Purpose

It has come to the attention of PAN that there are some service providers who are rendering payment system services in the Namibian payment system without authorization from PAN. The practice is illegal and it poses serious risks to the payment system. With its bestowed responsibility to maintain the integrity of the national payment system, PAN is issuing this notice to inform these service providers to register and to provide for their conduct within the Namibian payment system.

#### 3. Registration

Section 3 (6) (a) of the PSM Act states that PAN must register a person who is not a system participant as a service provider, and authorize such person to provide one or more payment system services if that person meets the requirements and conditions set out in PAN's rules. The person must be a provider of services related to payment systems, clearing system, and payment system arrangements, as defined by the PSM Act irrespective of volumes and values.

#### 4. Deadline

Persons whose current or future business practices are aligned with this notice should register with PAN by the 30th June 2013. If you are uncertain if this notice applies to you, please initiate discussions with PAN.

#### 5. Remedial Measures

Failure to comply with this notice, PAN may pursue any remedial measure/s as provided under Section (16A) (1) of Payment System Management Amendment Act, 2010, or any relevant legislation in the interest of ensuring a safe and efficient National Payment System.

#### 6. Enquiries

All enquiries related to this notice shall be forwarded to:

The Chief Operating Officer - PAN, 1st Floor, Unit 7, Rieks House, Corner of Feld and Rieks van der Walt Street, Ausspanplatz, Windhoek, Telephone 061 415420 or Email [info@pan.org.na](mailto:info@pan.org.na)



## COMPLIANCE HIGHLIGHTS

### **Regulatory and Compliance Activities and Achievements**

#### **PAN Stakeholder Forum**

The PAN Stakeholder Forum (PSF) was launched in January 2013. The Forum is an industry roundtable that brings together the major consumer payments stakeholders including non-banking financial institutions, payment schemes, merchants, consumer and industry groups. The Forum considers the future direction of public policy in payments, focusing on ways to promote innovation and system evolution over the long term while ensuring healthy competition. The PSF was significantly involved in assistance and development of the Principles for an efficient National Payment System (NPS).

#### **Determination on the Efficiency of the National Payment System (PSD-7)**

On the 17 October 2013, Bank of Namibia (BoN) issued PSD-7, which shall become effective on 31 December 2014. This determination provides the guiding principles for assessing the efficiency of the National Payment System.

#### **Determination on the Criteria for Authorisation of Participants in the Clearing and Settlement Systems (PSD-6)**

PSD-6 was issued by BoN on 6 February 2013. The determination became effective on 31 August 2013. BoN issued this determination to provide the criteria for authorisation of participants in the clearing and settlement systems.

#### **Determination on the Conduct of Card Transactions within the National Payment System (PSD-4)**

This determination became effective on 30 June 2013. PSD-4 governs the conduct of card transactions within the NPS. PAN issued a public notice to sensitise the public on the gazetted determination and in particular, drew attention to the conduct of e-commerce acquiring in Namibia and the phasing out of petrol and garage cards.

#### **Localisation of Maintenance of Bank's Branch Codes**

Bankserv Africa has been the historic custodian and administrator of the banks' branch codes and PAN and BoN initiated the localisation of the branch codes for the Namibian industry. With the localisation of its systems, Namclear is now equipped to issue branch codes to new banking institutions. Both Namclear and Bankserv will continue to ensure that new branch codes are updated regularly.

#### **Registration of Payment Service Providers**

PAN issued a public notice at the end of March 2013 to invite and register new and unauthorised payment service providers. The process of registering service providers is in progress.

#### **Namclear Namibia Clearing House Project**

The Namclear Namibia Clearing House Project involved the replacement of the current clearing and settlement system with an alternative capability owned and operated by Namclear and hosted in Namibia in line with the objectives as set in the NPS Vision 2015. As much as the migration and the implementation came with challenges, all payment streams (Cheque, Card and EFT) were implemented in 2013.

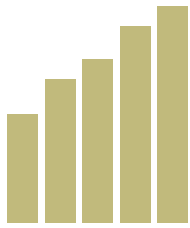
#### **Payment Clearing House Participant Group for Immediate Settlements (PCH IS)**

The PCH IS was established as a new structure within PAN and Mr Albert Matongela was appointed as the chairperson of the committee. The PCH IS will be an industry platform for governing arrangements pertaining to the clearing of credit payment instructions for real time settlement between participants.

#### **SME Bank Participation in Namclear**

The participation of the SME Bank in the various payment streams was delayed by the implementation of the EFT stream at Namclear. However, subsequent to the EFT





## COMPLIANCE HIGHLIGHTS (CONTINUED)

migration it received high priority from all stakeholders. PAN has been at the forefront of the facilitation process and the SME Bank will be going-live with the Cheque stream early in 2014.

### SADC BA Feedback

The SADC BA commenced with phase 2 of the SADC Payment System Project implementation and the project plans have been shared with the industry. All banking institutions have nominated their internal project managers. The inaugural meeting of the SADC Payment Scheme Management Body was held on the 3 September 2013.

### EMV and PCI DSS Compliance Project

The main purpose of the EMV compliance project, issuing and acquiring, was to ensure the timely implementation for the acceptance of domestic and international EMV chip and pin cards in Namibia, with particular infrastructure such as the POS and ATM's and banking system networks. The initiative is expected to curb Card Fraud locally and internationally.



**Mberipura Hifitikeko**  
REGULATORY & COMPLIANCE MANAGER

The Payment Card Industry (PCI) Data Security Standard (DSS) has been developed to encourage and enhance cardholder data security and facilitate the broad adoption of consistent data security measures. PCI DSS provides a baseline for technical and operational requirements designed to protect cardholder data.

All participating banking institutions reported compliance on EMV acquiring (Terminals and ATMs) at the end of 2013. The deadline for issuing chip-based cards is 2015. The majority of the banks have reported good progress and PAN will continue to monitor closely to ensure compliance.

The industry compliance deadline for PCI DSS is 31 December 2015. Overall there is good progress and some participants are likely to ensure compliance by end of 2014.

### PAN Risk and Compliance Framework

The PAN Management Council approved the PAN Risk Profile which is managed by the PAN Executive Office in conjunction with Chairperson of the various PCHs, Forums and Committees.

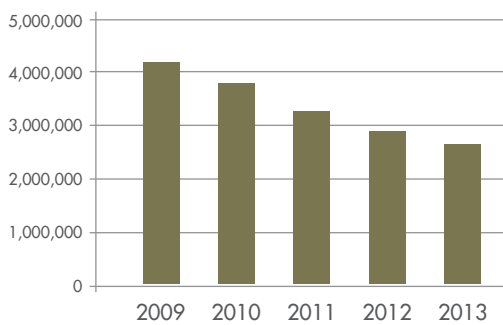


## 1. The Namibian Payment System in Numbers

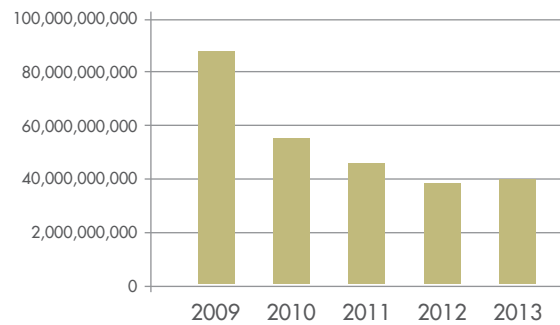
### 1.1 Cheque

Cheque volumes in Namibia continue with their slow decline as in other countries in the world in 2013. In 2013, the clearing house (Namclear) processed 2.4 million cheques over the year 2013 with a total value of N\$36 billion, which is a significant increase in value for cheques from N\$34 billion in the year 2012. The increase in value and decrease in volume of cheque transactions can be attributed to the fact that more cheques might be written out in high values. It was also found that most cheque users in the market are auction houses and large corporate companies that still favour the usage of cheques.

**Chart 1:** Cheque transaction volumes (2009 – 2013)



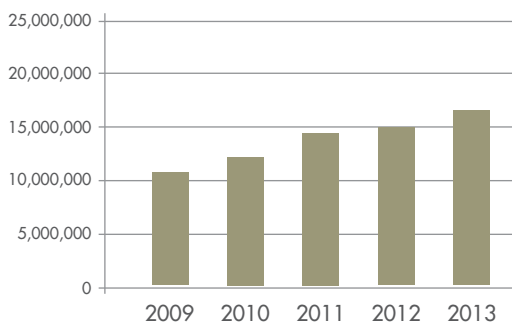
**Chart 2:** Cheque transaction values (2009 – 2013)



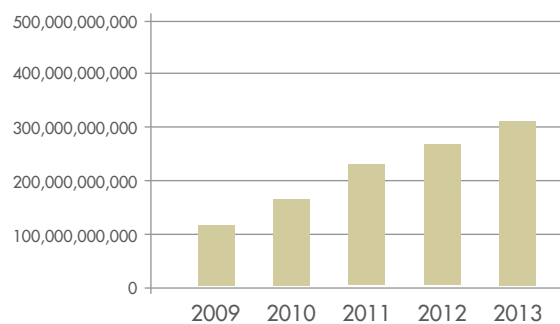
### 1.2 Electronic Fund Transfer (EFT)

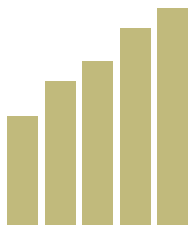
As expected by the industry with the slight decrease in volume in cheques, the EFT volumes increased by 11% according to Namclear processing with more than 14 million EFT transactions with a value of N\$36 billion. The increase in both volume and value of EFT transactions is due to the fact that more users are finding it convenient to process their transactions by EFT.

**Chart 3:** EFT transaction volumes (2009 – 2013)



**Chart 4:** EFT transaction values (2009 – 2013)





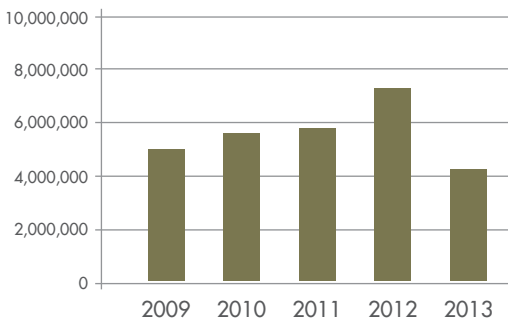
## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

### 1.3 Card

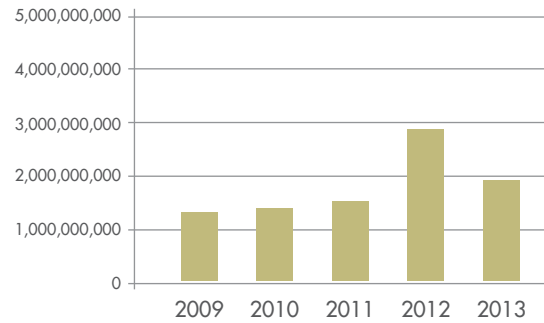
Overall Card payments during the period under review in terms of value and volume has seen growth. Namclear processed 13.5 million card transactions with a value of N\$6.2 billion, which represents an increase of over 103% in value, when compared to value transacted in 2012. The volume of card transactions increased by 9% compared to 2012. ATM withdrawals have seen a significant decrease in volume and value over the reported year. ATM transactions processed in 2013 were 5.2 million with a value of N\$2.4 billion, which represents a decrease of 22% in value, when compared to the value of N\$3.1 billion transacted in 2012. This reduction can be attributed to the increase of customers using non-cash methods as payment.

#### ATM

**Chart 5:** ATM transaction volumes (2009 – 2013)

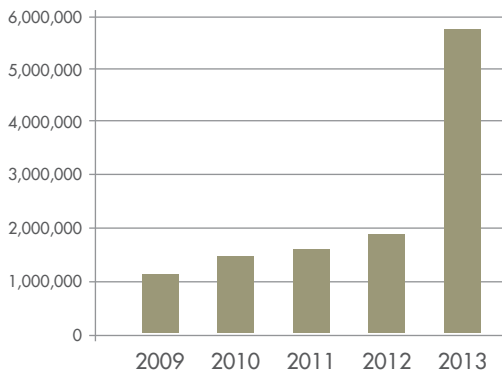


**Chart 6:** ATM transaction values (2009 – 2013)

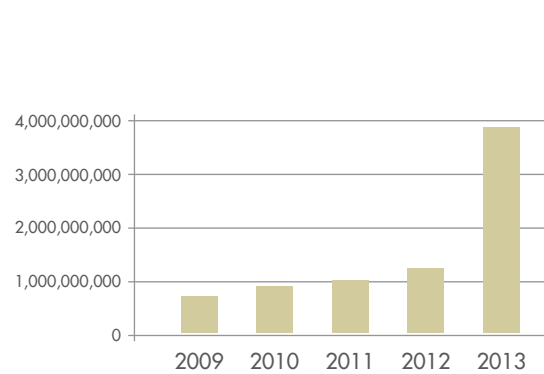


#### Credit Card

**Chart 7:** Credit Card transaction volumes (2009 – 2013)

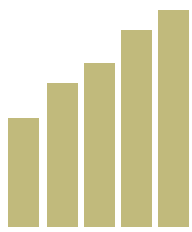


**Chart 8:** Credit Card transaction values (2009 – 2013)



\* Credit card values and volumes constitute all credit card transactions at POS.



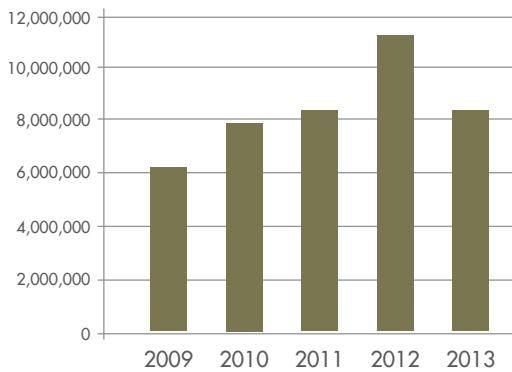


## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

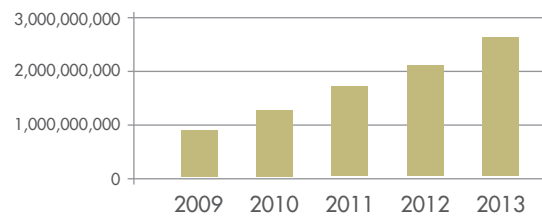
### 1.3 Card (continued)

#### Debit Card

**Chart 9:** Debit Card transaction volumes (2009 – 2013)

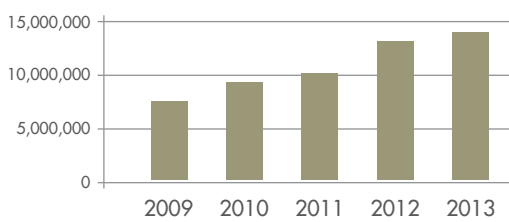


**Chart 10:** Debit Card transaction values (2009 – 2013)

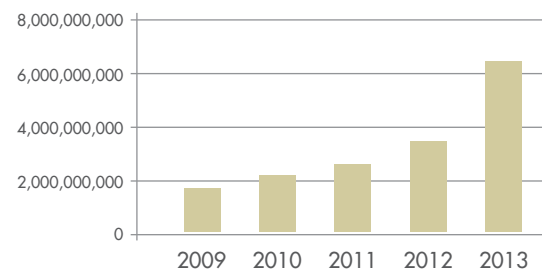


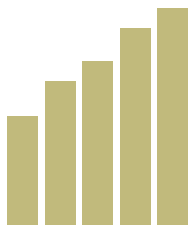
\* Debit card values and volumes constitute all debit card transactions at POS.

**Chart 11:** Card transaction volumes (2009 – 2013)



**Chart 12:** Card transaction values (2009 – 2013)



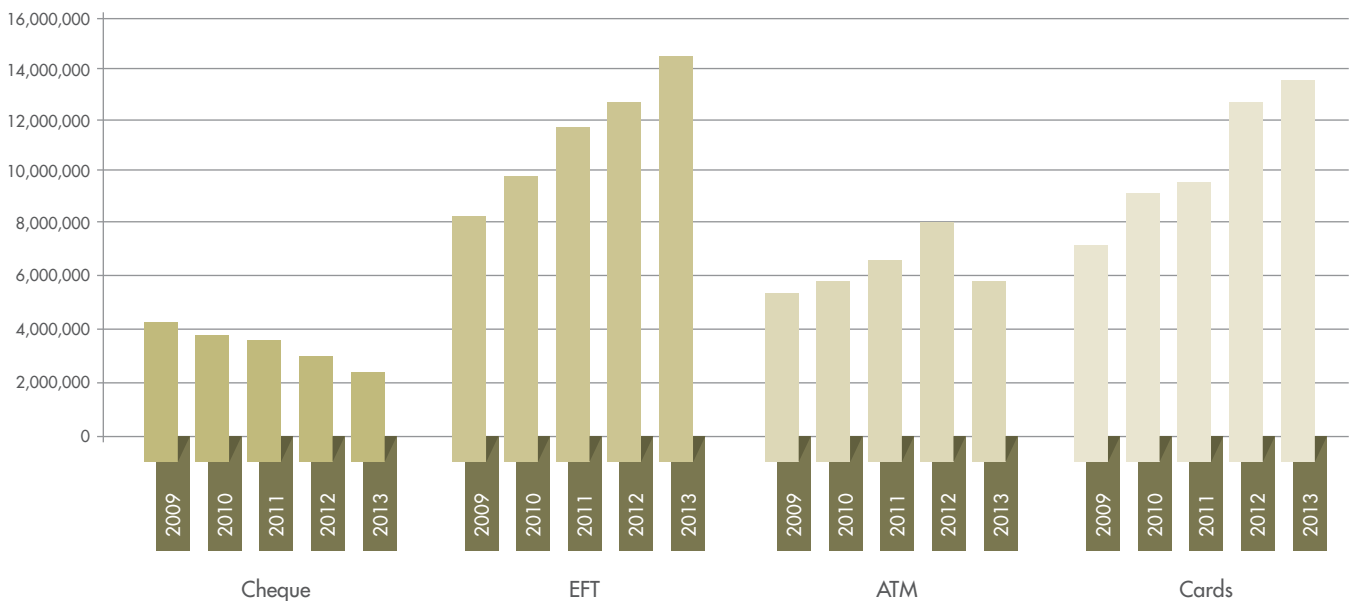


## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

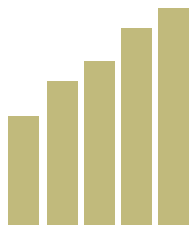
### Comparison Volumes Table

VOLUMES	2009	2010	2011	2012	2013
Cheque	4,060,611	3,753,144	3,240,343	2,816,805	2,441,975
EFT	8,223,381	9,551,900	11,575,690	12,658,735	14,264,400
ATM	4,968,216	5,541,536	6,073,074	7,755,882	5,276,221
CARD	6,910,822	8,676,953	9,371,818	12,358,715	13,465,207

**Chart 13:** Comparison Volumes Table (2009 - 2013)



The comparative figures of transactions cleared and settled during the period from 2009 to 2013 indicate a slight decrease in volumes of cheque transactions. Card and EFT transactions show popularity amongst the Namibian consumers with a substantial increase, this can be attributed to more clients being comfortable with EFT as a means of transacting and moving away from cheques. ATM withdrawal transactions have decreased significantly.

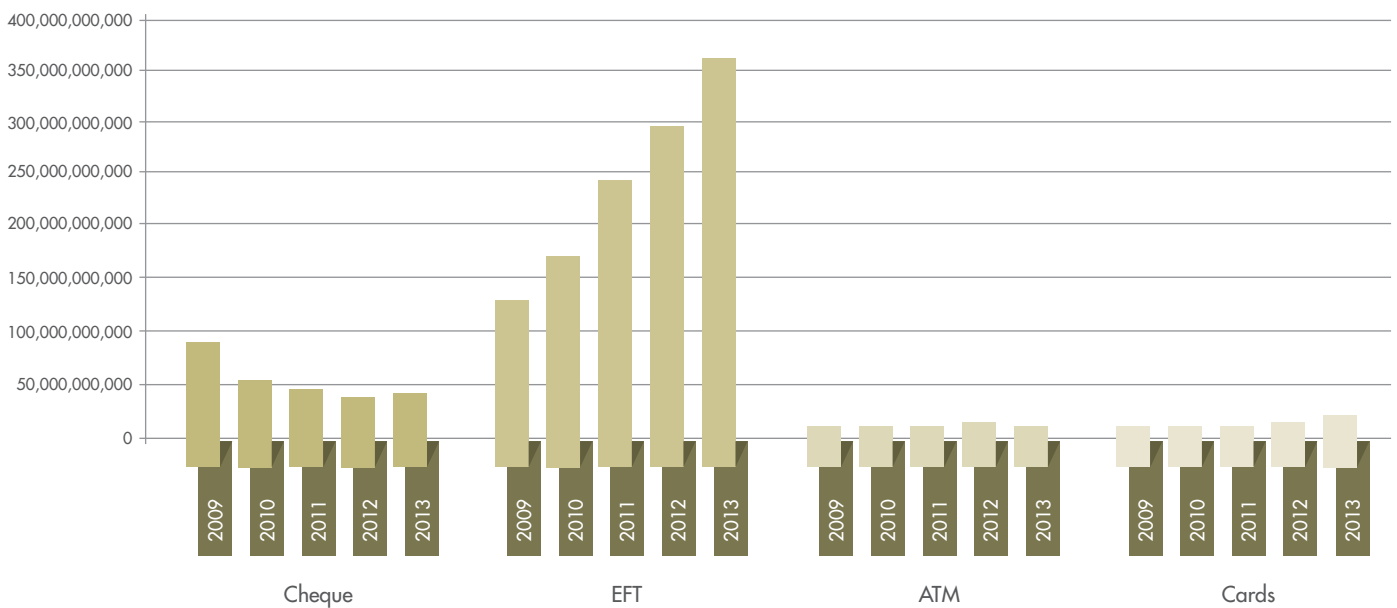


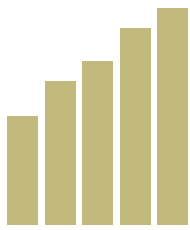
## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

### Comparison Values Table

VALUES	2009	2010	2011	2012	2013
Cheque	84,493,796,750	49,427,097,927	41,012,924,679	34,856,886,299	36,073,403,560
EFT	127,223,402,911	167,980,001,002	239,808,787,802	291,812,339,606	355,315,701,969
ATM	1,348,909,224	1,394,891,216	1,610,098,732	3,139,514,798	2,417,796,547
CARD	1,386,785,453	1,896,323,333	2,419,552,472	3,062,355,216	6,222,596,634

**Chart 14:** Comparison Values table (2009 - 2013)





## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

### Fraud Statistics

The diagrams below illustrate the type of fraud mainly happening in the Namibian Payment System. During the year 2013 PAN has embarked on a number of campaigns to combat fraud in the payment system. Information regarding how consumers can protect themselves is also available on the PAN website at [www.pan.org.na](http://www.pan.org.na).

The payment system industry uses this data to monitor fraud trends and develop mitigated strategies. Note that these figures are sourced from different banking institutions via Bank of Namibia.

### Card Statistics

#### The Origin of Card Fraud:

**Lost or Stolen Cards:** The fraudster uses a payment card obtained without the knowledge of the lawful cardholder, following card theft or loss.

**Not-Received-Issued Cards:** Not-Received-Issued Card Fraud relates to the interception of genuinely issued cards before they reach the authentic customers. The intercepted cards are then used fraudulently by impostors.

**Forged or Counterfeit Cards:** An authentic payment card may be falsified by modifying magnetic stripe data, embossing or programming. Creating a counterfeit card means creating an object that appears to be an authentic payment card and/or is capable of deceiving a payment machine or a person.

**Card ID theft:** A cardholder's card number is taken without his knowledge or created through card number generation.

### Types of Payment

**Face-To-Face Payment** - Carried out at the point of sale or unattended payment terminal (UPT).

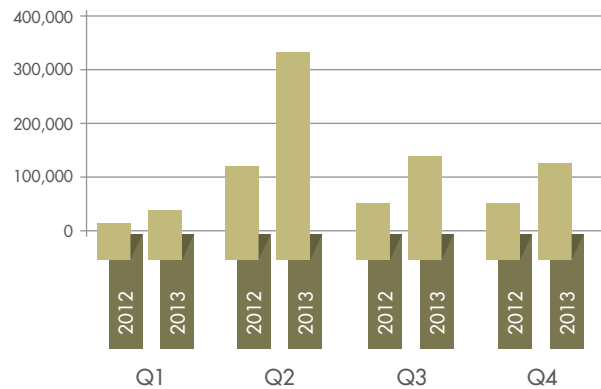
**Card-Not-Present Payment** - Carried out online, by mail, by fax/telephone, or any other means.

**Withdrawal** - Withdrawal from an ATM or any other type of withdrawal.

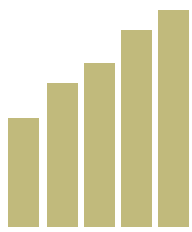
In terms of payment card fraud for the year 2013, forged and counterfeit card fraud remains the most prevalent for the industry at 52%. Cards are skimmed and used to withdraw cash at ATMs and purchases at POS devices.

Card-Not-Present (CNP) where cards are used fraudulently on the internet, by mail order or over the phone is next at 33%.

### Lost or Stolen Cards

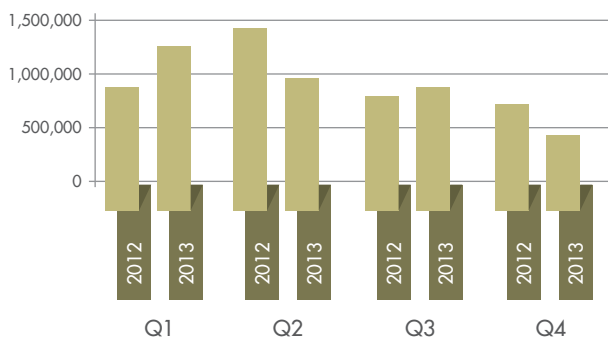




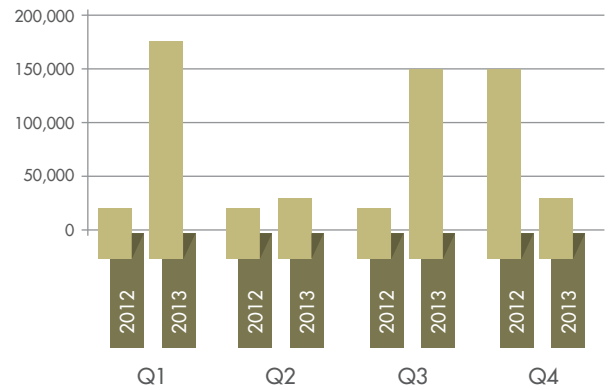


## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

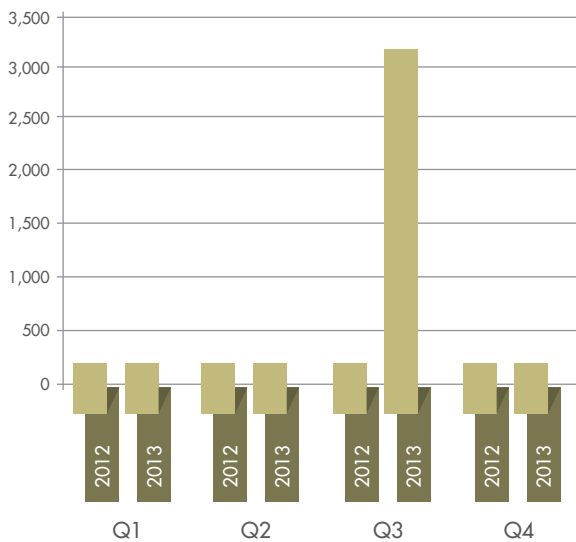
### Forged or Counterfeit Cards



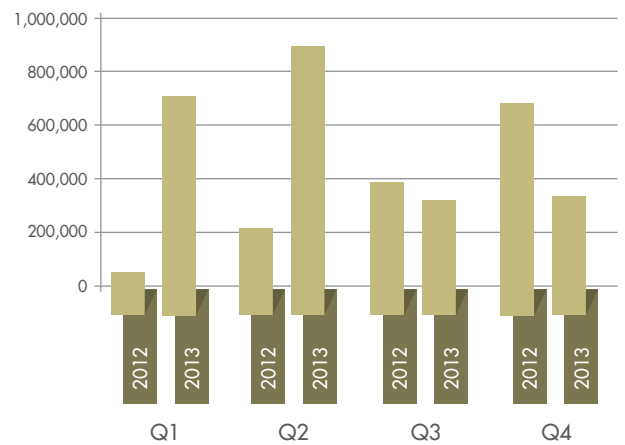
### Card ID Theft

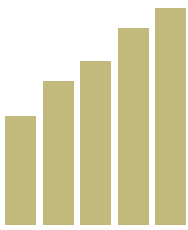


### Issued Card Not Received by Customer



### Card-Not-Present





## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

### Cheque Fraud Statistics

#### Forgery

Forgery typically takes place when an employee issues a cheque without proper authorisation. Criminals will also steal a cheque, endorse it and present it for payment at a retail location or at the bank teller window, probably using bogus personal identification.

#### Counterfeiting and Alteration

Counterfeiting can either mean wholly fabricating a cheque using readily available desktop publishing equipment consisting of a personal computer, scanner, sophisticated software and high-grade laser printer or simply duplicating a cheque with advanced colour photocopiers. Alteration primarily refers to using chemicals and solvents such as

acetone, brake fluid and bleach to remove or modify handwriting and information on the cheque.

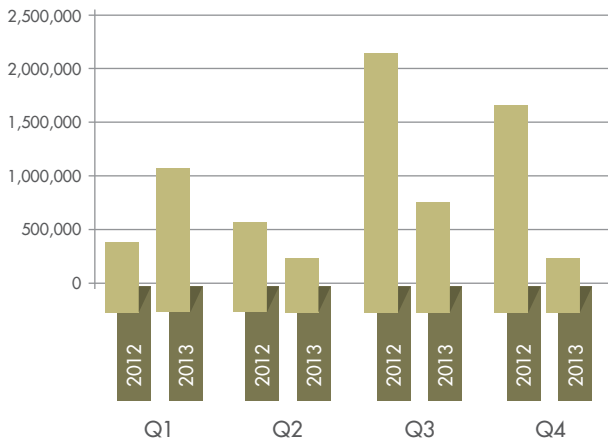
#### Cheque Kiting

Cheque Kiting is opening accounts at two or more institutions and using "the float time" of available funds to create fraudulent balances.

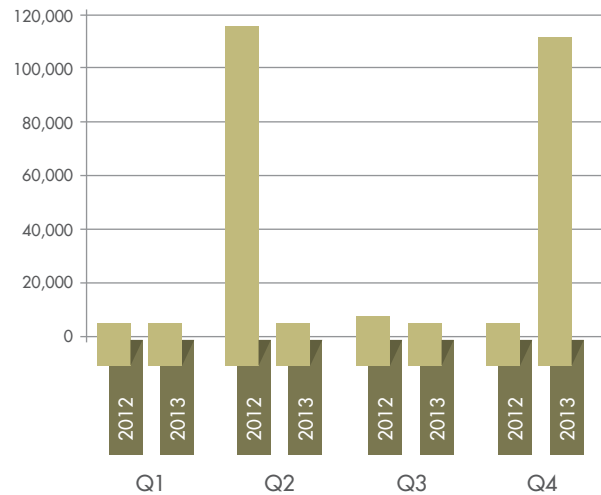
The cheque fraud categories below are the results per value of losses:

- Forgery amounted to 63.6% of total cheque payment fraud
- Counterfeit and Alteration on cheques amounted to 36.2%
- Cheque Kiting amounted to 0.2%

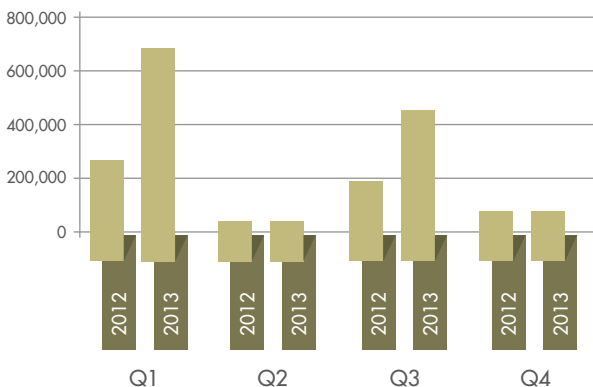
#### Forgery

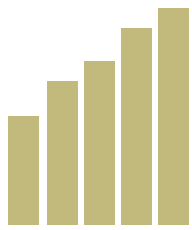


#### Cheque Kiting



#### Counterfeit and Alteration on Cheques





## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

### EFT Losses

Compared to the year 2012, EFT losses/ payment fraud has gone up from N\$65,200 to N\$242,800; which is mainly attributed to phishing scams.

### Cyber Crime Fraud

#### Phishing

Online Banking Fraud (Phishing) is a method of deceitfully obtaining personal information such as passwords, identity numbers and credit card details, by sending e-mails that look like they come from trusted sources, such as banks or legitimate companies.

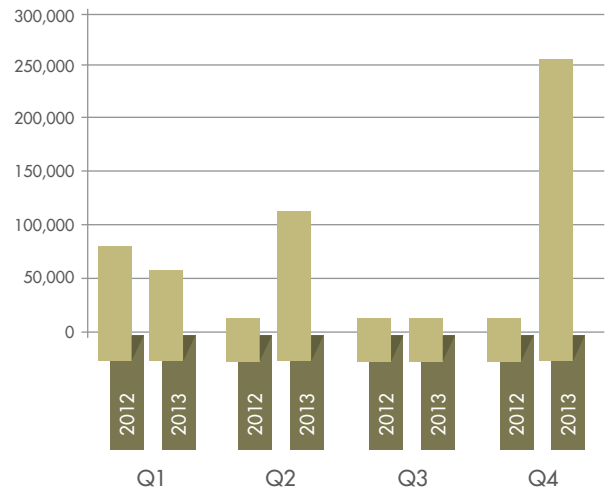
#### SIM Card Swop

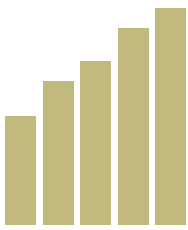
SIM card swopping (also known as SIM SWOP) is a form of fraud where criminals request your cell phone service provider (SP) to transfer your existing cell phone number onto a new SIM card by pretending to be you, or pretending to act on your behalf. They usually have a copy of your ID (authentic or falsified) and other details that may convince the SP that the request is legitimate.

#### Denial-of-Service Attacks

Denial-of-Service attack is an attempt to make internet, web servers, payment gateways, etc., unavailable to its intended users, for the purpose of either committing fraud or identity theft.

### EFT Losses





## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

### Cash Fraud

#### Cash Fraud

Fraud attributed to cash increased by 5% quarter over quarter, 87% of the cash fraud losses are attributed to external sources such as robbery.

#### Internal

Defalcation (embezzlement) or illegal activity by employees.

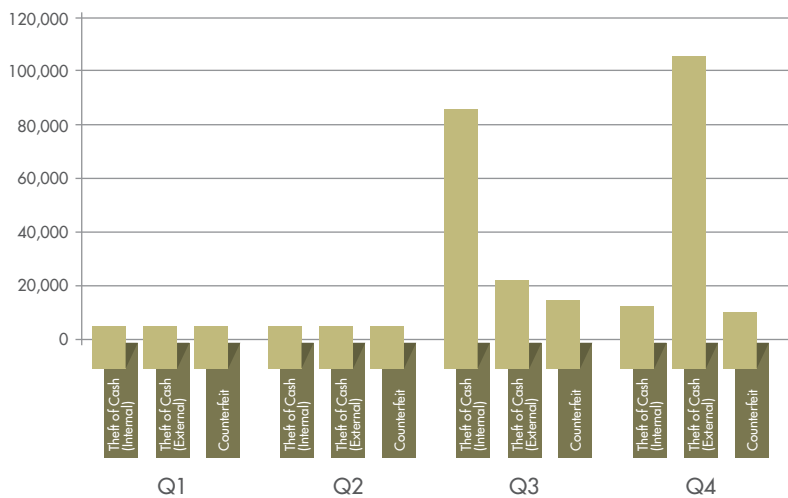
#### External

Fraudulent practice attributed to external sources, such as robbery.

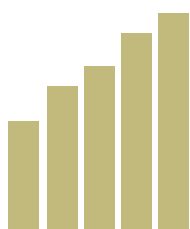
By Cash fraud categories below are the results per value of losses:

- Internal
- External

### Cash Fraud







## THE NAMIBIAN PAYMENT SYSTEM (CONTINUED)

### **E-Money Fraud**

No figures were recorded for E-Money schemes type of fraud for the year 2013. But below are the type of E-Money schemes you might find.

#### **Types of E-Money Schemes**

##### **Card-Based E-Money**

Card based E-Money is stored on cards that can be used for making payments so that the user of the card does not need to use cash.

##### **Network-Based E-Money**

Network-based E-Money refers to E-Money transactions conducted via telecommunication networks, such as internet or cellphone.

#### **Fraud Types or Categories**

##### **Alteration or Duplication of Data or Software or E-Money Cards**

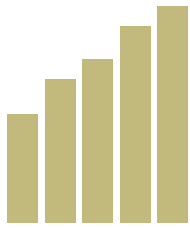
Unauthorised modification of data stored on a genuine electronic money device. For instance, the criminals may fraudulently increase the balance recorded on an E-Money card or E-Money account. A modification of data on an E-Money card or E-Money account could be performed by either exploiting security weaknesses in the software or by physical attacks on the chip itself. When E-Money is stored on a card, the criminals may create a duplicate of that card that functions as a genuine, but contains fake balances.

##### **Theft of E-Money Cards or Data**

Theft of E-Money Cards or E-Money account holder data.

##### **Repudiation of Transactions**

A user of an E-Money card or E-Money account may fraudulently claim that he/she did not authorise a transaction made with his E-Money card or E-Money account. This kind of fraud usually takes the form of the user claiming that he had his E-Money card stolen or E-Money account compromised and was charged for items he did not order.



## MESSAGE FROM THE CHAIRPERSON OF THE ELECTRONIC FUND TRANSFER PAYMENT CLEARING HOUSE

It is with pride and excitement that we report on the finalisation of the Namclear Clearing and Settlement Project, and the successful migration and implementation of the EFT stream in the year under review.

This was perhaps by far the most challenging period for Namclear in its existence, and I would like to make use of this opportunity to thank all role players, BoN, PAN, Namclear Management and other PCH streams as well as the participants under the EFT stream for the achievement of this milestone in the National Payment System in Namibia.

### Activities

- The localisation of Namclear was not the only achievement which brings pride to the activities of PAN and in particular the EFT PCH.
- We are also very proud that the long awaited PAN Stakeholders Forum was initiated and a work group was established to specifically deal with the efficiency enhancements of the EFT direct debit order system in Namibia.
- Bank of Namibia's PSD-7 directive, dealing with this, stipulated the due date for implementation as 31 December 2014, meaning that a lot of hard work will ensue in the next couple of months between the PCH and the Stakeholders Forum in order to comply.
- High Value Payments Discussion - A new NISS PCH forum was created by PAN during 2013, who henceforth deals with high value payments. The EFT PCH is not involved with this anymore.
- EFT Constitution was finalised and signed off by all relevant parties.

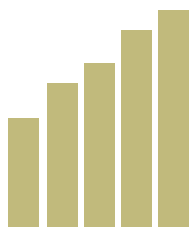
**Herman Kruger**  
CHAIRPERSON - ELECTRONIC FUND TRANSFER  
PAYMENT CLEARING HOUSE

- SADC Payment Project - Industry deliberations took place on matters falling under EFT Credit and EFT Debit streams. Various matters have been under consideration and discussion. We are positive to see the first implementations mid 2014.
- Various other operational issues of interest between participants have been discussed during the year under review.
- SME Bank, as well as EBank have been granted licenses by the Bank of Namibia and they have been welcomed in our midst. 2014 will see them participating fully, when they integrate into the NPS as fully operational participants.

### Concluding Remarks

It was a very challenging, yet exiting year and we are positive that the engagements at this level will continue to happen in the good spirit evidenced, to the benefit of all stakeholders, being consumers, banks (participants) and the regulatory authorities.





## MESSAGE FROM THE CHAIRPERSON OF THE CARD PAYMENT CLEARING HOUSE

Since the full localisation of the Namibian card processing environment, which culminated in the implementation of the new Namswitch system on 11 (ATM) and 18 (POS) March 2013. The system has stabilised after some issues being experienced during the first period after implementation and banks have started to reap the benefits of processing their card transactions within the borders of Namibia. In addition to the advantage of processing transactions between Namibian banks domestically, this initiative has resulted in the local technical and operational skills in the card payment stream being greatly improved.

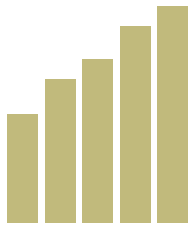
In meeting the objectives of the National Payment System Vision 2015, Namibian banks have ensured that the acceptance devices (ATM and POS devices) are all capable of processing EMV/chip cards. A few devices remain non-compliant, however, these are planned to be become compliant by latest end March 2014. Other compliance commitments as part of the Vision 2015 include the issuing of EMV/chip cards and PCI-DSS card security requirements. These are both due to be completed by end 2015.

The phasing out of proprietary fuel cards that have historically been processed via South Africa has been successfully as of 28 February 2014. PAN, the Bank of Namibia (BoN), the Ministry of Mines and Energy, the Association of Service Station Owners (ASSO) and all commercial banks have all committed themselves to deal with the gap these cards are leaving in the industry. The approach is to create a platform for accepting debit/credit cards for fuel payments in Namibia, which will benefit all stakeholders, including customers and fuel station owners.

The SADC BA Payment Project has seen the implementation of the SIRESS settlement capability and most Namibian banks are participating in this. The next payment stream that will be implemented is the EFT stream, and this will then be followed by the card stream. No specific dates have been determined for the completion of this stream.



**Ryan Geyser**  
CHAIRPERSON - CARD PAYMENT  
CLEARING HOUSE



## MESSAGE FROM THE CHAIRPERSON OF THE PAPER PAYMENT CLEARING HOUSE

The Paper PCH is an authorised guardian on behalf of Namibian banking institutions for the cheque industry clearing rules and regulations. The chairperson proudly announced the following historical achievements obtained in the existence of the Payments Association of Namibia.

In February 2013 the Paper PCH successfully nominated and selected a new chairperson. This was the first change in chairmanship since initiation in 2005, when cheque processing was implemented at the Automated Clearing House namely Namclear (Pty) Ltd. Leadership was transferred from Bank Windhoek (Mr. Chris Diemer) to Standard Bank Namibia (Ms. Zane Kotze).

On 22 July 2013 the PCH successfully implemented their first milestone, namely to eliminate processing of cross-border cheques and bank drafts in the Common Monetary Area (CMA). This was a convoluted milestone due to the direct customer impact associated with the change. Through active customer awareness campaigns by means of direct customer communication by each participating bank and through various public notices and approach to prepare and educate the public, and ultimately ensure a smooth migration where conducted during the first quarter of 2013. Due to the vigorous commitment by the PCH members the forum could promptly implement this change without any inconvenience or impact to the customer and general public.

Following the successful implementation to eliminate cheque processing in the Common Monetary Area (CMA) and with the magnified focus to eliminate risk associated to process and clear foreign cheques, the PCH then

completely discontinued the acceptance and processing of foreign cheques on 30 November 2013 throughout the Namibian banking industry.

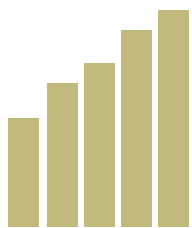
In addition to the above achievements, on 10 February 2014 the Paper PCH proudly welcomed SME Bank as an official participant in the cheque payment stream. This is the first new bank take on within the history of the Payments Association of Namibia and I'm proud that the cheque payment stream could be the first to be part of this historical event.

In conclusion the PCH unfortunately continued to encounter a challenge to reduce the cheque item limit from its current N\$500,000.00 to N\$100,000.00. An achievable alternative payment method for such cheques continues to be a challenge. However, the PCH remains fully committed to implement this overdue milestone during the third quarter of 2014. This will enable participants to migrate cheque payments above N100,000.00 through alternative payment streams such as Electronic Fund Transfers (EFT) etc., which in return will eliminate industry risk associated with processing such high value cheques.



**Zane Kotze**  
CHAIRPERSON - PAPER PAYMENT  
CLEARING HOUSE





## MESSAGE FROM THE CHAIRPERSON OF THE IMMEDIATE SETTLEMENT PAYMENT CLEARING HOUSE

The Immediate Settlement Payment Clearing House Participant Group (IS PCH PG) had an inaugural meeting on 11 April 2013. It became the fourth PCH to be created under the Payments Association of Namibia. The forum has an interest in issues affecting participants in the high value payment system known as Namibia Interbank Settlement System (NISS). Current members of the forum are Bank of Namibia, Bank Windhoek, First National Bank, Nedbank, SME Bank and Standard Bank.

PCH regulatory framework provides a legal foundation for the establishment of the forum. It is pleasing to note at this juncture that a constitution has been signed off. The constitution details the purpose of the forum and how meetings should be conducted going forward. Issues to be concluded in future include agreement and rules.

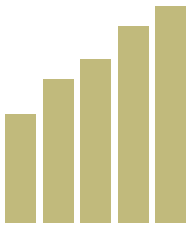
NISS item limit for single transactions was one of the key discussion points at

the forum. The purpose of the discussions is to establish a limit for transactions that should be processed directly from a participant to the NISS system taking into account the viability of the Domestic Clearing and Settlement Operator (DCSO); urgency of payments; and resource intensity within participants. Industry will decide on a limit once all issues have been satisfactorily addressed. In terms of the User Notice of the Bank of Namibia dated 2 August 2013, the regulator directed that interbank transactions below N\$5 million may be effected in NISS until an agreement on limits has been reached and an IS agreement has been signed.

Discussions around the participation of Namibian banks in the SADC Integrated Regional Electronic Settlement System (SIRESS) were discussed at the IS PCH meetings as well. All banks in Namibia are participants in the regional settlement system. Issues that arose in the live system were addressed accordingly with the SIRESS operator and the domestic regulator.



**Albert Matongela**  
CHAIRPERSON - IMMEDIATE SETTLEMENT  
PAYMENT CLEARING HOUSE



## MESSAGE FROM THE CHAIRPERSON OF THE FINANCIAL INSTITUTIONS FRAUD AND SECURITY COMMITTEE

The Financial Institutions Fraud and Security Committee (FIFSC) is a forum established to share ideas and discuss economic crimes targeted towards the banks and its clients. The committee is regulated by Payments Association of Namibia (PAN).

The forum meets on a monthly basis to discuss and share ideas as well as to plan on how to contain economic crimes. A strategic plan for the year 2013 has seen a number of achievements in the form of awareness campaigns conducted at various platforms. The forum with the assistance of PAN has visited trade fairs, such as the Ongwediva Trade Fair, Windhoek Agricultural Show as well as Namport Erongo Business and Tourism Expo with the goal to educate and alert the public to the dangers of economic crimes.

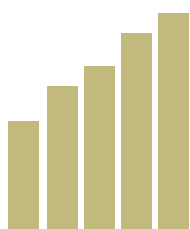
The Forum has Trained Security Companies responsible for service delivery to banking institutions. The training took place in Windhoek and Walvis Bay emphasising the prevention of card cloning which is posing a high risk in the banking industry.

The forum under the auspices of PAN has assisted the Namibian Police to analyse skimming devices by training Law Enforcement officers, Magistrates and Prosecutors on how to implement and put into use the promulgation of Payment System Management Act, 2003 (Act No. 18 of 2003), as amended.

The cooperation of all the role players has seen a reduction in the number of cross border crimes and syndicates operating around and in Namibia. With the start of 2014 the forum is ready to fulfil and commit to the strategic plan in order to achieve its goals.



**Samuel Zambwe**  
CHAIRPERSON - FINANCIAL INSTITUTIONS  
FRAUD AND SECURITY COMMITTEE



## MESSAGE FROM THE CHAIRPERSON OF THE PAN STAKEHOLDER FORUM

### PAN Stakeholder Forum (PSF)

The PAN PSF has been established under the auspices of PAN and was formally launched in January 2013. The PSF is an industry forum that brings together the major non-banking payment participants including payment service providers, industry associations and regulators. This is regarded as a progressive step in the evolution of the Namibian National Payment System (NPS).

The primary purpose of the PSF is to provide a discussion forum to foster and facilitate collaboration between stakeholders in the NPS and aiming to amongst others contribute to a safe, efficient and effective National Payment System. Its initiatives resulted in the establishment of a PSF Work Group bringing together both banking and non-banking industry participants to focus on innovation and payment stream enhancements in the Namibian NPS.

The establishment of the PSF is very well received by the industry and regarded as making big strides in achieving the NPS Vision 2015. The Namibian NPS differentiates itself globally in that non-banking participants are provided with a recognised structure to collaborate and provide input to the NPS and its structures. Access and participation to non-banking institutions in the NPS is a strategic focus area in the NPS Vision 2015. The establishment of the PSF bears testimony to the commitment of the Payment System Management Body to achieve the strategic objectives of the NPS Vision 2015 and maintaining a world class payment system.

### PSF and PSF Work Group feedback:

#### Regulatory involvement and feedback

The PSF through its Work Group provided industry input to the Bank of Namibia (BON) position paper "Guiding principles for an efficient Debit Order System". As an outcome of its deliberations on this initiative, it has identified certain NPS realities impacting upon industry which called

for engagement with BON as well as NAMFISA. Alternative solutions both in the EFT Debit Order as well as Card payment streams are being deliberated. To this end the PSF and its Work Group is having an impact on the industry and inviting dialogue and better understanding of challenges in the NPS.

#### Focus areas and initiatives

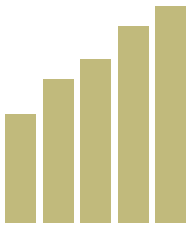
The main focus area in the PSF is the "Enhancement of the electronic debit order system". To this end, the forum is receiving feedback from the PSF Work Group (banking and non-banking) on industry collaboration and innovation towards possible solutions. As a result two submissions were made by PSF members, one to the EFT PCH PG in respect of an EFT payments concept catering for immediate real time messaging with delayed settlement submitted by Real Pay. The other submission was to the Card PCH PG in respect of card acceptance by banks for Card-Not-Present transactions including the recurring payment indicator and submitted by PayM8.

These initiatives are on-going and feedback from the banks and respective PCH's will determine further industry dialogue and the way forward as to possible solutions.

In addition to the above proposals, the PCH System Operator, Namclear, circulated a high level proposal on the "Enhancement of Debit Order Service". This proposal advocates on a method to achieve bank interoperability associated with enhanced Debit Orders.

It is notable that PSF members agreed that the approach is not to create any interim solutions but rather to work towards sustainable long term solutions subscribing to the NPS requirements of safety and efficiency.

The PSF received enquiries from its members regarding access to Cheque Digit Verification (CDV) as a security measure in confirming that account numbers are valid. These requests are being shared with the PCH SO.



## MESSAGE FROM THE CHAIRPERSON OF THE PAN STAKEHOLDER FORUM (CONTINUED)

### Industry contact

The PSF had been invited to the MLA association meeting and were afforded the opportunity to engage with this industry on initiatives supporting bank interoperability and meeting its need for time sensitivity in payment collections. Feedback from the PSF was well received by participants.

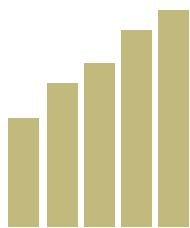
Given the broader impact of its payment stream initiatives the PSF met with the MOF to provide an overview of its focus areas and share the status as to technical realities in the NPS. The feedback was well received and the dialogue is set to continue.

The PAN PSF is well attended by its non-banking members with constructive dialogue associated with its meetings.



**Peter Swanepoel**  
CHAIRPERSON - PAN STAKEHOLDER FORUM





## IPL AND INDUSTRY REPRESENTATIVE AT SADC PSMB - SADC PAYMENTS PROJECT IMPLEMENTATION IN NAMIBIA

The industry supports the SADC Payments Project implementation in a number of ways. Our regulators expect the financial services industry to implement the project in phases all the way to the final cut-off date. We are required to comply with regional standards, projects and decisions as per the Payments Association of Namibia Strategic Plan (PAN Strategic Plan). Guidelines for implementation of the SADC Payment Project provide details on responsibilities of key stakeholders in the implementation process. The industry has a number of representatives in various streams that have been attending regional meetings and feedback on developments has always been shared at relevant industry forums.

### SIRESS is Live

The year under review saw the go-live of the SADC Integrated Regional Electronic Settlement System (SIRESS) on 22 July 2013. SIRESS is being operated by the South African Reserve Bank (SARB) as per the Memorandum of Understanding for Cooperative Oversight of SADC Integrated Regional Electronic Settlement System signed-off by Common Monetary Area (CMA) central banks in 2013. Currently, banking institutions in CMA, including Namibia, are participants in the system and other countries within Southern African Development Community (SADC) are expected to join the system in future. The first payment stream to go live is the Credit Transfers for Immediate Settlement (CTIS). Several high value payments are going through the stream.

In terms of volume of transactions settled, Namibia accounted for 524 and CMA as a whole 1758 on average during July - December 2013. Namibia's proportion is 30% out of the total settled. Volumes of transactions settled during the above mentioned period is shown in graph 1 (on page 35).

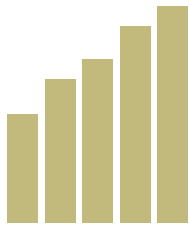
In terms of value of transactions settled, Namibia accounted for N\$12 billion and CMA as a whole N\$23 billion on average during July - December 2013. Namibia's proportion is 52%

out of the total settled. Values of transactions settled during the above mentioned period are shown in graph 2 (on page 35).

As part of SIRESS implementation, it was agreed that cross-border cheques will be eliminated within CMA when the regional settlement system goes live. A cross-border cheque is a paper instrument presented in one country and paid for in another. The objective of the phase out was to eliminate inherent risks and encourage a move towards electronic payments at cross-border level. Cheques were successfully implemented and issues that arose were addressed accordingly.



**Albert Matongela**  
INDUSTRY PROJECT LEADER,  
CHAIRPERSON AND INDUSTRY  
REPRESENTATIVE AT THE SADC PSMB



## IPL AND INDUSTRY REPRESENTATIVE AT SADC PSMB - SADC PAYMENTS PROJECT IMPLEMENTATION IN NAMIBIA (CONTINUED)

### What is being Implemented?

Given that the CTIS stream is now live, the next stream is the Low Value Credit Transfers to be cleared and settled via a Regional Clearing and Settlement Operator (RCSO) or sometimes called Automated Clearing House (ACH). Implementation of the stream is expected to be August 2014 and not June 2014. This is because the SIRESS operator needs to enhance the settlement system to accommodate batch settlement.

The industry agreed that the Domestic Clearing and Settlement Operator (DCSO) should facilitate regional transactions via the RCSO for settlement in the SIRESS system. In this regard, the DCSO has engaged its vendor to provide a suitable solution. Each participant has put in place an implementation team in preparation for go live.

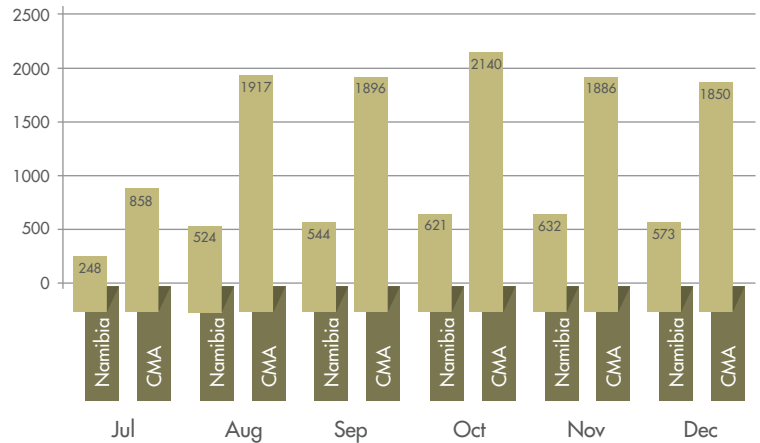
### SADC PSMB is Established

The SADC Payment Scheme Management Body (SADC PSMB) was inaugurated on 3 September 2013. Although it is a sub-structure of the SADC Banking Association (SADC BA), it is independent with powers to oversee payment schemes under it; approve service providers; and monitor compliance in terms of established rules, among others. Members are drawn from participating countries. SADC BA provides secretarial support with central banks represented by an observer. SADC PSMB is currently chaired by Namibia with Lesotho as deputy chair for 3 years. The first scheme, Credit Transfers for Immediate Settlement (CTIS) Working Group has been established under SADC PSMB.

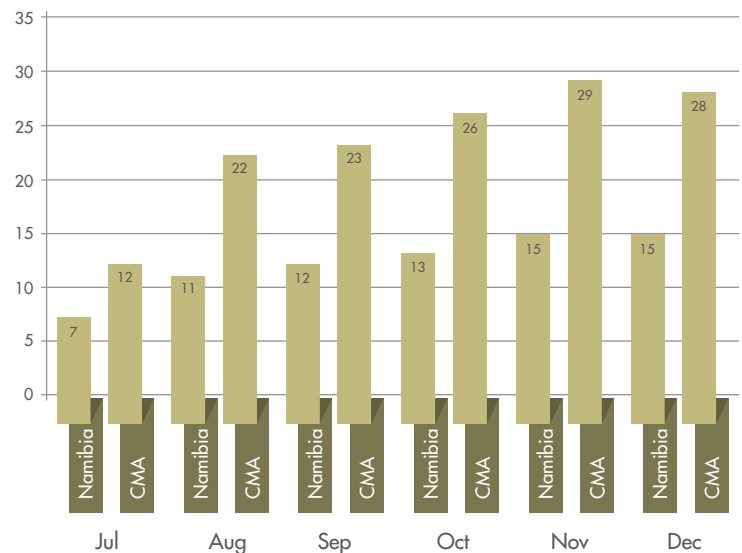
### What is Next?

About three streams are planned to go live in 2015. These are Electronic Fund Transfer Debits (EFT Debit); Automated Teller Machines (ATM)/Card; and Delivery-versus-Payments (DVP). The industry still needs to decide whether Namibia will participate in EFT Debit. Involvement of card associations within the ATM/Card set-up is being considered. Cash leg of securities transactions will be settled in SIRESS to achieve DVP. All documents pertaining to the above streams are expected to be ready in 2014.

**Graph 1: Volumes of Transactions Settled in SIRESS, July – December 2013** Source: Bank of Namibia



**Graph 2: Values of Transactions Settled in SIRESS, July – December 2013** Source: Bank of Namibia

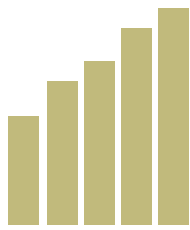


*Rick's House*









## GLOSSARY

**Act** - Means the Payment System Management Act No. 18 of 2003, as amended, or any re-enactment or substitution thereof.

**Automated Teller Machine (ATM)** - Means an electronic device that operates in conjunction with a processor and network and allows customers to debit an account in exchange for cash and that may allow customers to effectuate account transactions.

**Banking Institution** - Means a banking institution authorised to conduct banking business under the Banking Institutions Act 2 of 1998, as amended.

**Bank of Namibia (BoN)** - Means the Bank of Namibia established in terms of the Bank of Namibia Act, No. 15 of 1997.

**Card PCH** - Means a Payment Clearing House arrangement for Card (ATM, Debit and Credit) Payment transactions.

**Cheque** - Essentially instructs the payer's financial institution to debit the payer's account for a specified amount and either to transfer that value to the payee's financial institution for credit to the payee's account or to pay out cash.

**Clearing** - The exchange of payment instructions between the payer's bank and the payee's bank (or their agent.) which results in the calculation of payment obligations between system participants.

**Clearing House (Payment Clearing House) (PCH)** - Any formal arrangement between banks whereby participants exchange payment instructions.

**CMA (Common Monetary Area) Cross-border Payments** - Means payments to a company that is not registered in Namibia but has a collection/debit order agreement with account holders of authorised Namibian banking institutions.

**Cross-border Transaction** - A transaction where at least one of the parties is located outside the home countries.

**Credit Card** - Means a card holder has been granted a credit line, enabling the holder to make purchases and/or draw cash up to a prearranged limit.

**Debit Card** - Is usually used for non-recurring electronic funds transfers at the point of sale (EFT POS) to initiate payment to the vendor with an immediate debit to the cardholder's account. Debit card performs other services, such as Automated Teller Machine (ATM) withdrawals.

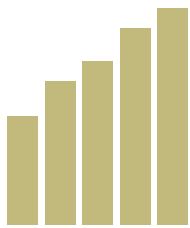
**Determination** - Means a determination issued in terms of section 14 of the Act.

**Directives** - Means such directives, instructions, requirements, rules and procedures which may be approved by a PCH Participant Group (PG) as binding upon all members of that PCH and ratified by PAN, or issued by PAN or BoN.

**EFT PCH** - Means a Payment Clearing House arrangement for Electronic Funds Transfer (EFT) payment transactions.

**EMV** - Europay Master Card & Visa is a specification for interaction between chip cards and terminals.





## GLOSSARY

**Entry Criteria** - Criteria for participating in a certain stream, laid down by PAN, in conjunction with BoN.

**FIFSC** - Financial Institution Fraud and Security Committee

**Item Limit** - Means the maximum value for which a cheque can be legally issued, processed and cleared within the Namibian National Payment System.

**Namclear** - Means the company authorised by the Payments Association of Namibia to provide clearing services in Namibia and operating as Payment System Service Provider as defined in the Payment System Management Act, 2003 (Act No. 18 of 2003).

**NISS** - Means Namibia Interbank Settlement System, which facilitates the settlement of all domestic transactions in Namibian Dollars at Bank of Namibia.

**National Payments System (NPS)** - Means the payment system as a whole and includes any payment system, settlement system, clearing system and payment system arrangement used in the process of effecting payment between payers and beneficiaries.

**Sort at Source** - Means the process whereby the beneficiary of a payment instruction sorts each paying banks' payment instruction together and then submits that payment directly to each paying bank, where the proceeds of such a payment instruction is credited to an account in the name of the beneficiary.

**PAN** - Means the Payments Association of Namibia. PAN is recognised as a Payment System Management Body (PSMB) in terms of the Act.

**Paper PCH** - Means a Payment Clearing House arrangement for Cheque Payment transactions or other paper bill payments

**Payment Instrument** - Means a designated instrument, whether tangible or intangible, that enables a person to obtain money, goods or services or to otherwise make payments.

**Payment System** - Means a system that enables payments to be effected between a payer and a beneficiary.

**PCH or Payment Clearing House** - Means an arrangement between two or more system participants governing the clearing of payment instructions between those system participants.

**Payment Clearing House Participating Group (PCH PG)** - means a Payment Clearing House Participant Group governing the affairs of the participants in one or more Payment Clearing Houses and constituted by PAN.

**PSMA** - Payment System Management Act (PSMA) No 18 of 2003.

**POS Terminal** - An attended or unattended access device located in or at a merchant's premises that meets the corporation's requirements, and that permits a cardholder to initiate and effect a transaction for the purchase of products or services sold by such merchant with a card in accordance with the standards.



## **Payments Association of Namibia**

Rieks House, 1st Floor, Unit 7  
Corner of Feld Street and Rieks van der Walt Street  
Ausspannplatz . Windhoek . Namibia  
Tel: +264 61 415 420 . Fax: +264 61 415 430  
Email: [info@pan.org.na](mailto:info@pan.org.na) . Web: [www.pan.org.na](http://www.pan.org.na)