



PAYMENTS ASSOCIATION OF NAMIBIA

ANNUAL REPORT

2020



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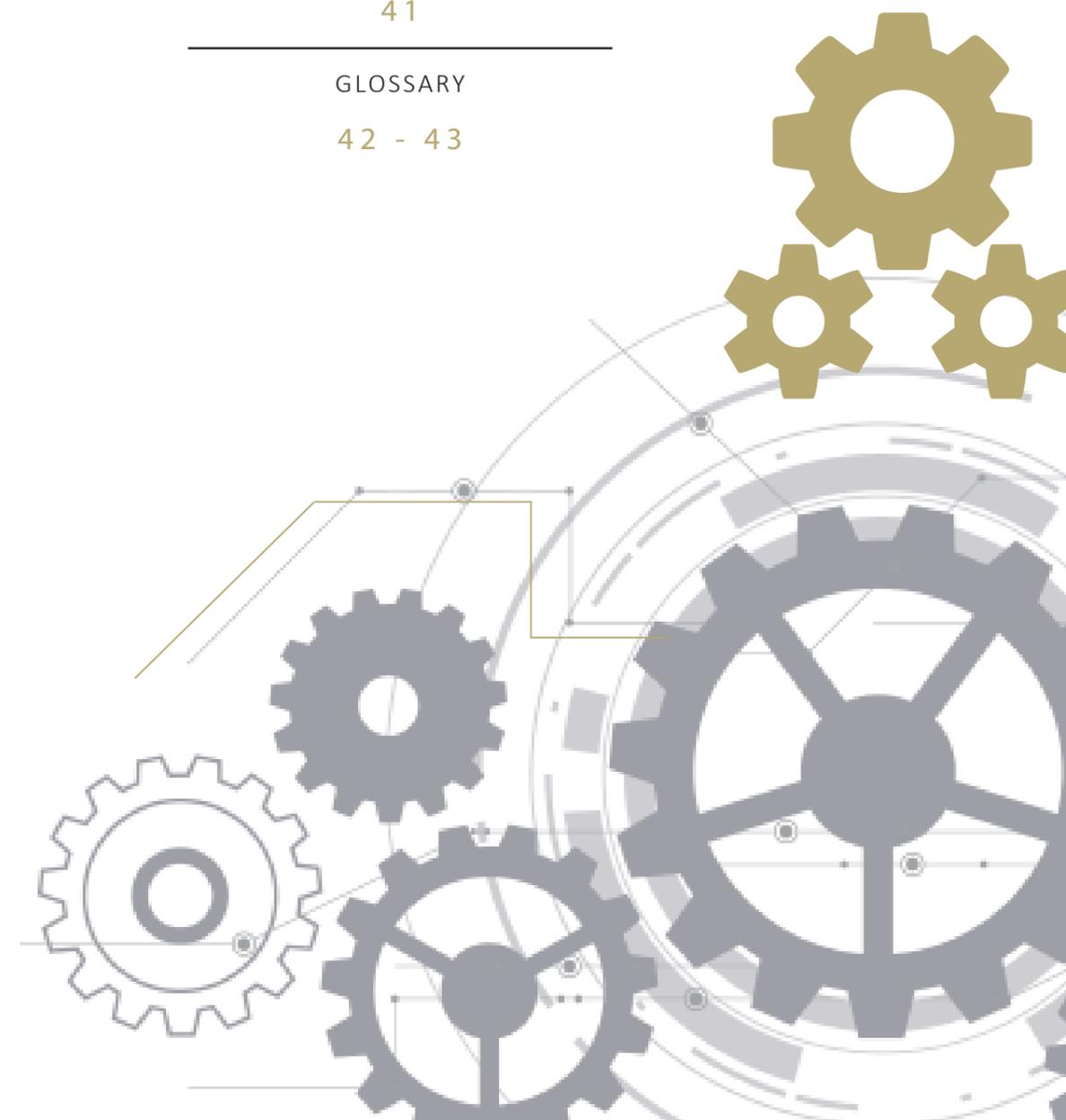
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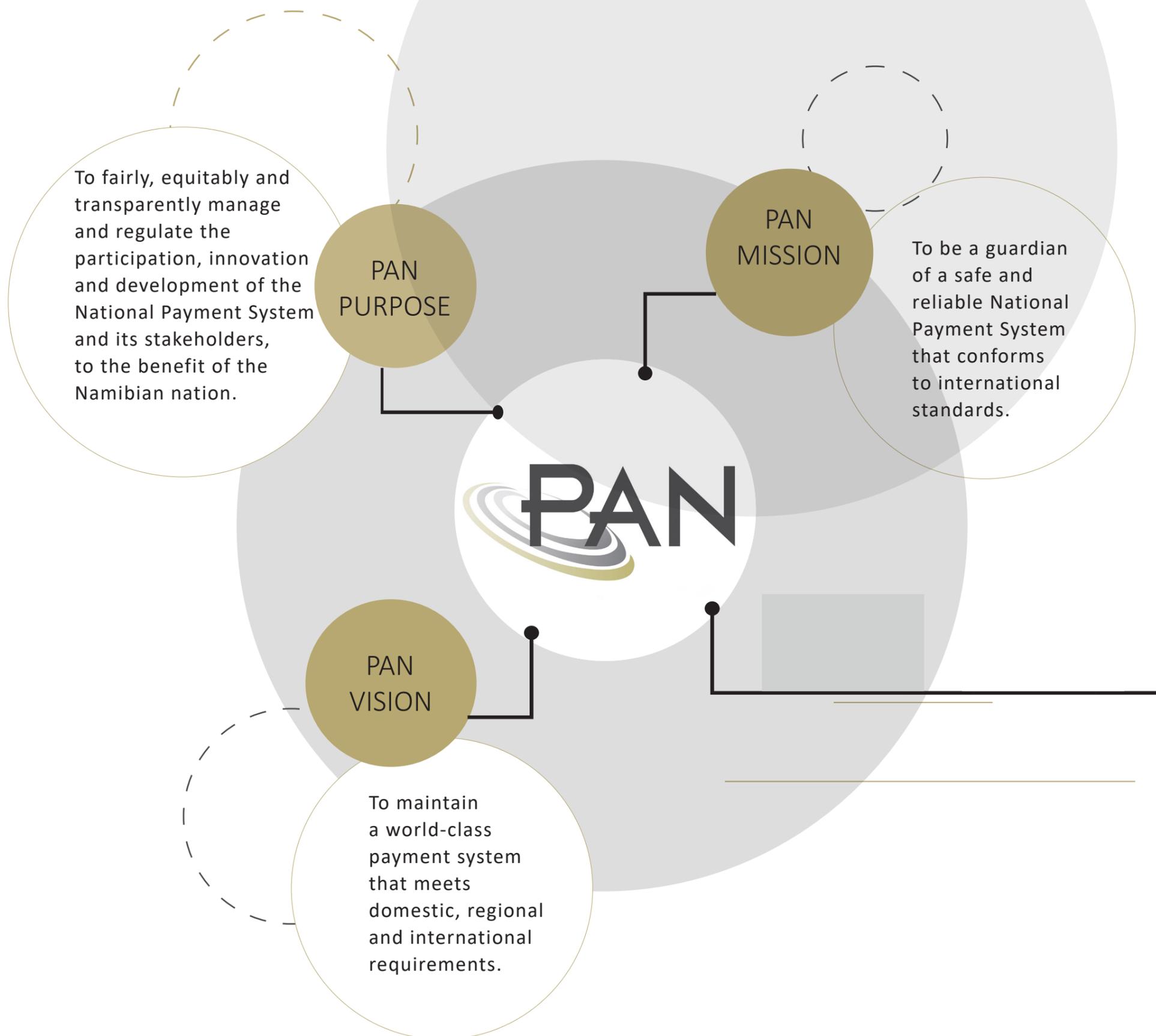
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CORPORATE PHILOSOPHY



PAN VALUES

- **INNOVATION**
We value innovation and promote a culture where we originate and enhance creative ideas for positive change at PAN and in our stakeholder organisations.
- **RESPECT**
We respect each other and protect the dignity of everyone. We value each other's contributions and space at PAN.
- **GROWTH**
We encourage and empower each other to grow to our full potential through training, coaching and delegated decision making.
- **INTEGRITY**
We are honest, truthful and consistent in applying PAN's policies. We take responsibility for our words and actions and behave with consideration and reliability.
- **FLEXIBILITY**
We believe in continuous improvement and being responsive to customer needs.
- **TEAMWORK**
We believe that teams can rise to achieve greater things than individuals. We appreciate, support and sustain each other in fulfilling our common vision.

MANAGEMENT COUNCIL



Independent Chairperson
Koos Keyser



PAN CEO
Annette Rathenam



Manager: Finance and
Administration (Secretary)
Asser Alfeus



Chris Diemer



Cindy Fillipus



Candy Ngula



Allvan Farmer



Natalia Oliveira-Ndebele



Andries Swarts



Ernst Nuab



Pieter Swanepoel

EXECUTIVE OFFICE



CHIEF EXECUTIVE OFFICER
ANNETTE RATHENAM



MANAGER: FINANCE
AND ADMINISTRATION
ASSER ALFEUS



MANAGER: REGULATORY
AND COMPLIANCE
SAIMA HERMAN



MANAGER: PROJECTS
AND TECHNOLOGY
JOSUA JONAS



PAYMENT ANALYST
MBAPEUA KAUUOVA



PAYMENT ANALYST
ELINA NGHISHISHI



HR AND ADMINISTRATION OFFICER
LYDIA IYAMBO



COMMUNICATIONS AND MEETINGS
ADMINISTRATOR
BEAU-ANN BEUKES

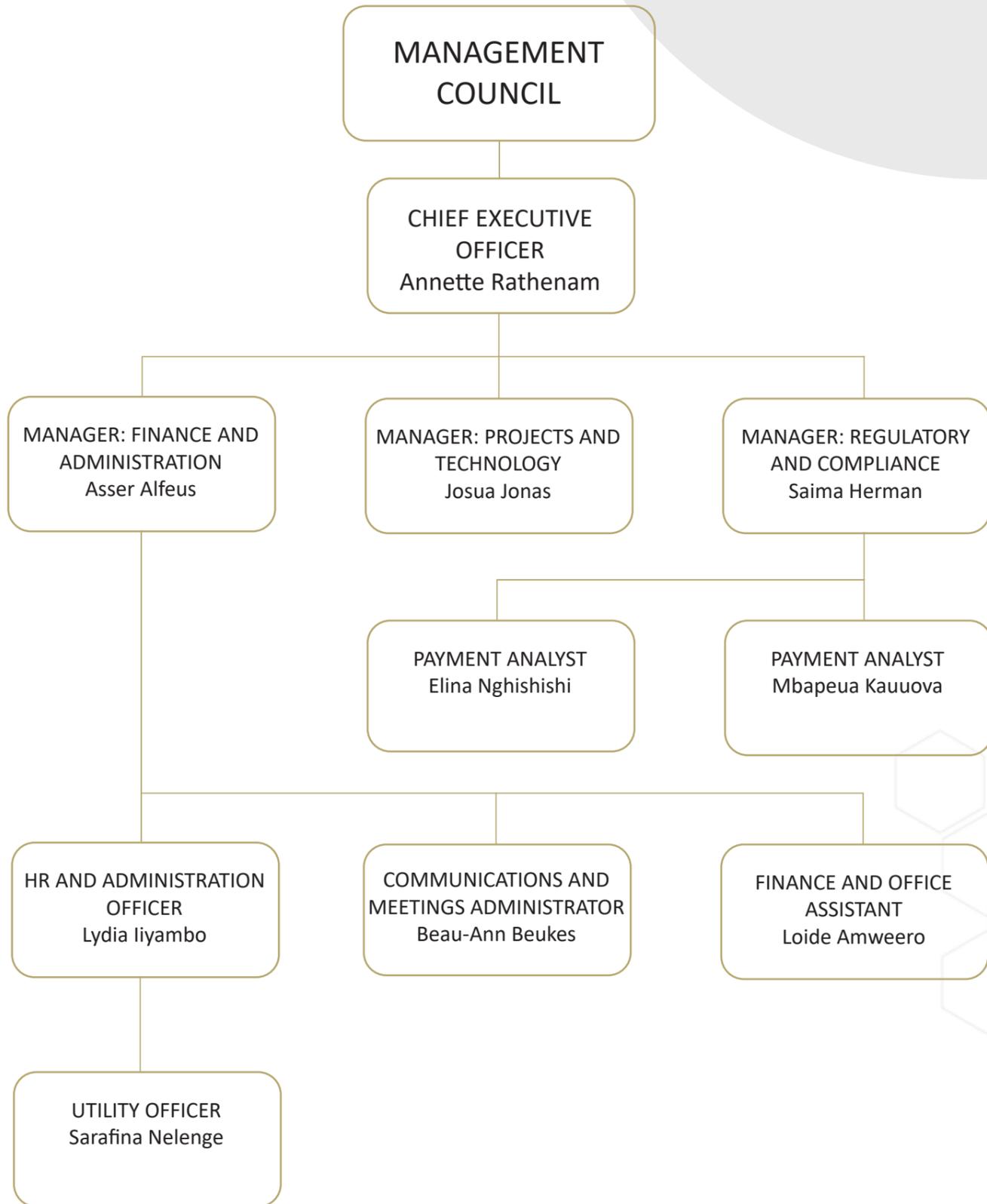


FINANCE AND OFFICE ASSISTANT
LOIDE AMWEERO



UTILITY OFFICER
SARAFINA NELENGE

ORGANOGRAM



MESSAGE FROM THE INDEPENDENT CHAIRMAN

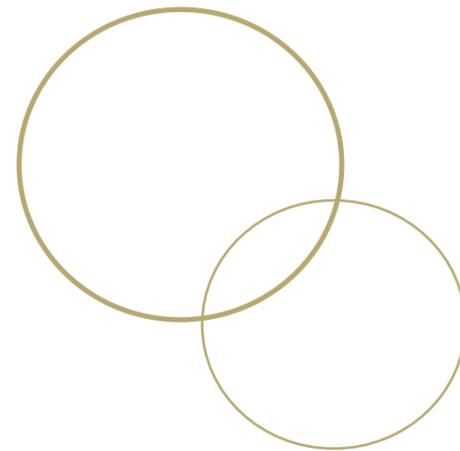


Koos Keyser,
Chairperson of the
PAN Management
Council

Payment systems link many parts of an economy. As a vital, required element of transactions, it enables and drives the monetary movement component of economic activity.

A sound and modern payment system, therefore, allow modern economic activity nationally as well as access to participate and compete successfully in the global market.

The National Payments System of Namibia met this challenge with excellent stability over the past five years and with distinction during the reporting period (2020) amidst the very demanding environment provided compliments of the Covid-19 pandemic.



The stability over the past years was achieved despite large strides in the growth of volumes and values on the one hand. On the other hand, the stability was maintained notwithstanding big leaps in innovation and modernising, ever-changing demands on compliance with industry standards, as well as demands to conform to best practise and expectations of a developing economy.

The reporting year (2020) marks the final year of the previous strategy of the payments industry, Vision 2020. Generally, the industry did well to achieve what was set out to accomplish. I am particularly proud of the role of the Payments Association (PAN) played and how we contributed to these achievements within the National Payment System (NPS). The major milestones and successes were the following:

NAMPAY

Our flagship solution NAMPAY, was an initiative driven by the banking institutions, non-banks in the Namibian payments industry (such service providers to the payments industry), as well as by PAN, via our executive office and by most of the industry forums under PAN's auspices. NAMPAY addresses the modern electronic payment needs of customers and resulted in modernising our NPS infrastructure, which would soon have become no longer fit for purpose.

The initiative was initiated by the Determination on the Efficiency of the National Payment System (PSD-7 of Bank of Namibia; BON), while still supporting the national policy on interoperability as outlined in the Position Paper (also by BON) on interoperability. The NAMPAY payment streams use the new industry standard ISO 20022, which introduced new broader message formats, which in turn allow enhanced

security, usability, controllability, and therefore greater efficiency.

NAMPAY comprises of three new payment streams across debit orders, credit payment transfers and near-to-real-time credit payment transfers. The near-to-real-time electronic fund transfer (EFT) payment stream will enable customers to make immediate payments that will clear and reflect within 1 minute, across different banking institutions. The later created quite a major transformational impact for all Electronic Funds Transfer (EFT) processing in Namibia. All transitions to the new system should be completed by Winter 2022.

OUT WITH THE OLD, IN WITH (MORE) NEW

The cheque stream was successfully phased out, creating the opportunity for customers to transition with ease to the new NAMPAY solution, to card and wallet transactions. Customer needs are central to the development of new products, which in turn stimulate demand for goods and result in growth in the economy. Payments are enabling market players to transact smoothly while ensuring the safeguarding of their cash. The PAN Electronic Money Forum was established, providing access and participation opportunities to new players while driving innovation.



The industry remains committed to the security and safety of the NPS infrastructure to protect customer data. Therefore, Namibia’s payment system is up to date with the adoption of the relevant updates of fraud and security standards which include Europay, Mastercard and Visa (EMV) as well as with the Card Payment Data Security Standards (PCI DSS). We are also in line with the Customer Security Programme (CSP) of the Society for Worldwide Interbank Financial Telecommunications (SWIFT).

A NEW STRATEGY

Vision 2020 had a good inning and as mentioned above the industry can look back on a job well done. Planning and designing the new strategy started already in 2019. Just when we were ready to involve all that one should for such a purpose, the pandemic disrupted all intentions. However having such fertile minds in the Payment Management Council (PMC) and beyond in the PAN structures, we did the next best thing. We conducted the process virtually under the guidance and auspices of Prof. Marius Ungerer of the Stellenbosch Business School in the RSA. Prof. Ungerer is one of the top experts on strategy in the region and perhaps the whole of Africa.

The leadership element of the strategy, which seem to adopt the name of NPS vision and strategy 2025, was completed and covers:

1. Answering the question of what our destination is, where we want to be. This included:
 - Aspiration and positioning statements
 - Reviewing our Mnadate, Vision, Mission
2. The right way to get there, which included:
 - Reviewing our Values
 - Setting new Goals for the next five years

3. How we will know when get there or make progress, which resulted in indicators in broad qualitative terms.
4. Finally, it covers on what will take us to where we want to be, strategic initiatives.

What remained after the leadership process is the management process, where each of the players in the NPS needs to deliberate on their operational plan and then on execution thereof until the last day of the last quarter of 2025. A new future awaits PAN and the payments industry in general. I hope that we will report even larger strides and more success by the end of 2025.

For the success and progress thus far, I would like to express my sincere gratitude to Bank of Namibia, my fellow council members and the PAN executive office for their continued commitment and contributions towards managing and maintaining the stability, safety, security and efficiency of the NPS.

Thank you

Dr Koos Keyser



PAN Executive Team

Back row f.l.t.r. Josua Jonas, Thomas Hamata, Beau-Ann Beukes, Lydia Iiyambo, Mbapeua Kauuova, Julius Natangwe (Intern: Regularoy and Compliance Deaprtment)
 Front row f.l.t.r. Sarafina Nelenge, Saima Herman, Annette Rathenam, Asser Alfeus
 Insert: Loide Amweero

CHIEF EXECUTIVE OFFICER'S REVIEW

The Payments Association of Namibia maintains a self-regulatory regime, which is based on the foundation that some degree of self-governance which is key for the long-term success of a co-regulatory ecosystem. This self-governance is levelled at the expertise and the vested interest to ensure a safe, secure, cost efficient NPS, while creating an enabling environment for system participants and service providers to adhere to the compliance of both legislation and regulations.

The National Payment System mandate is derived from the Act: 'to ensure the safe, secure, efficient and cost-effective operation of the national payment system'. Compliance to the legislation and regulations, in particular, PSD-7 and PSD-4, were receiving the highest attention which served to reinforce the role we play.

The execution of the Vision 2020 over the last 5 years, was certainly a period during which our resources demonstrated skill, tenacity and high performance during this transformation time in the payment's ecosystem.

Inculcating an innovation culture has been high on the agenda, especially as we embarked upon the implementation of the flagship NamPay project. While enhancing the payment systems infrastructure with the adoption of the ISO 20022 standard, on the one hand, we have also utilized the increased capability of the said standard, in transmitting richer business data along with payment transactions, on the other.

Interoperability remained also one of the core focus areas in the NPS as various streams were

established. Significant progress has been made in the area of contactless cards and in establishing the E-money Forum, to drive interoperability. We are striving towards this specific goal to ensure that all NPS streams are interoperable in future. Our industry continues to drive an expansion of a range of interoperable products and services in the NPS, to better serve the payment needs and experience of customers across the country, in support of Namibia's economic growth and development.

Safety and security is one of the highest priorities in the industry. Routing domestic e-commerce transactions via the domestic card switch in accordance with PSD-4, required some enhancements to be carried out, to further prevent fraudulent transactions. This process will be completed early 2021. Commitment to PCI DSS compliance in-country is at a high level to further bolster the infrastructure against fraudulent attacks.

Our significant accomplishments in the year under review, were directly linked to the invaluable guidance of our Council, the excellent oversight of our regulator and the outstanding collaboration of our members, project steerco, design forum, individual forums, PAN executive office team, stakeholders and international partners. We wish to express our sincere gratitude to their commitment towards the Namibian payments' ecosystem.

“

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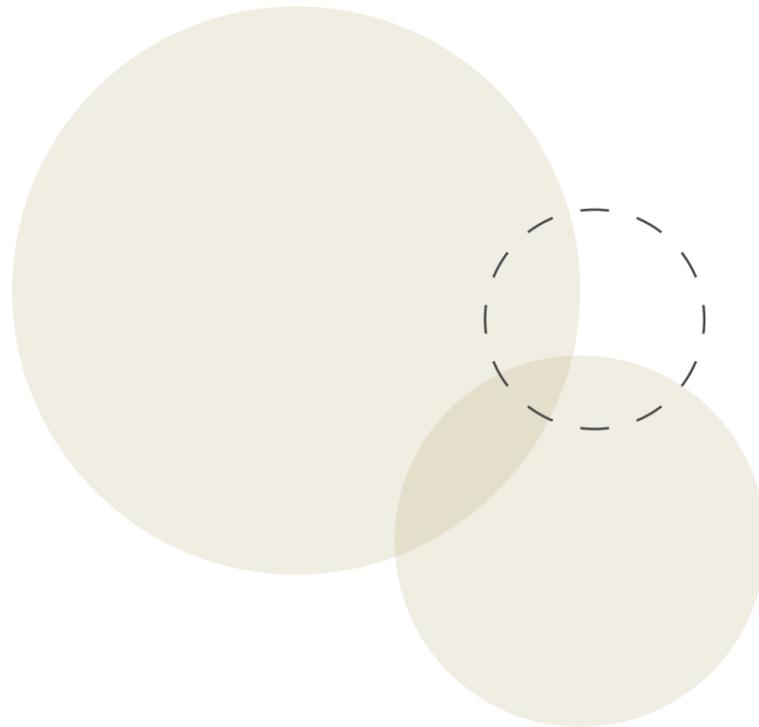


Annette Rathenam,
Chief Executive Officer
of PAN

PROJECTS' HIGHLIGHTS



Josua Jonas,
Manager: Projects
and Technology



“ Despite the unprecedented and accelerated transformation in our manner of work, as a result of the Covid-19 pandemic, the Namibian payments industry managed to conclude the implementation of the NamPay solution. ”

As Strategy is implemented through projects, the management of projects is of paramount importance to the achievement of the NPS strategic objectives. Projects and project management remains key to the responsiveness of the NPS to ever changing demands. To this effect, several NPS changes have been initiated and successfully delivered during the year under review.

During the year under review, we have all witnessed an unprecedented and accelerated transformation in our ways of work, due to the COVID-19 pandemic. Most teams were physically separated which led to most if not all engagements being conducted virtually on digital platforms. This was no exception to Projects. Although, most projects were impacted by the radical disruption of the pandemic, the project teams were able to quickly evolve and adapt to the new ways of work to ensure very minimal impact to project objectives. Most of the project activities were consequently completed in an unpopular fashion of working from home.

Despite the above events, the Namibian payments industry managed to conclude the implementation of the NamPay solution. The Industry is currently engaged in the migration of clients from the old EFT solution to the new NamPay's Enhanced Debit Orders (EnDO) and ENCR Enhanced Credits (EnCR) stream with a completion date set for 30th June 2021. The NamPay's third stream namely Near Real Times Clearing (NRTC), is still to be fully implemented by all Industry participants. The NamPay solution is founded on the principle of efficiency, which will ultimately lead to an enhanced customer experience. Additional

projects were undertaken in the Cards Stream to achieve compliance to PSD-4 by the industry participants, as well as achieve interoperability of contactless cards.

Finally, throughout 2020, Namibia maintained its participation in, and contribution to, the regional payment's initiatives. Following the successful implementation of the interim solution on CMA low value credit transfers, the CMA community continued to collaborate and deliberate on initiatives for the short-to-medium term to meet the regulatory requirement for visibility and transparency of CMA Low Value EFT credit transactions.

COMPLIANCE HIGHLIGHTS

The payments landscape in Namibia is forever changing, driven by technology and payments innovation, as well as shifts in the ways that Namibian consumers and businesses make payments. The payment system is experiencing great transformation in terms of increased efficiency and collaboration of all players in the payment sphere.

The industry has embarked on a review of the Act, following its enactment in December 2003, the payment landscape has changed significantly. The new review will bring about strengthening of the legislative framework to ensure that it appropriately safeguards the National Payment System (NPS) from undue risk and that it is enabling for all players in the ecosystem, by bringing about efficiency and fair treatment.

Fraud

The year 2020 has been a testing one and has seen a rise in Card Not Present fraud activities. As an industry we have worked hard to educate the public on how to protect their credentials, card and ran a two weeks long media program on NBC and on social media. As part of our strategy, we will continue to educate and caution the public at large on payments fraud. We encourage all who want to ensure that they are apprised of these initiatives to visit our website <https://pa.org.na> or follow us on social media: Twitter https://twitter.com/PAN_Namibia and Facebook <https://www.facebook.com/pan.namibia.14/>.

Payment Cards Industry Data Security Standards (PCI DSS) Compliance

For the reporting year, much work has been done from a system participant's and service provider's perspective, to achieve compliance to PCI DSS requirements, the compliance deadline from industry

has been revised from the 31st December 2020 to 31st December 2025, due to the complexity, cost of resources coupled with the ever-evolving nature within PCI DSS landscape.

Interchange

In the 2019 financial year, an application was made to the Namibian Competition Commission (NaCC) to have the current interchange fee model exempted from the provisions of the Competition Act, 2003 (Act No.2 of 2003), with the aim of finding an optimal solution for the determination of interchange fees in the NPS. Following its acceptance of the application, the Namibian Competition Commission (NaCC) published a Government Gazette on the 10th of November 2020, in which a 3-year exemption was granted until 30th October 2023 to, to grant the industry time to address the Commission's concerns regarding the joint setting of interchange fees for the Namibian industry.

Electronic Funds Transfer

The existing EFT system is being replaced by a state-of-the-art, internationally recognized messaging standard (ISO-20022) solution called NamPay that introduces greater efficiency, safety and effective control of the domestic EFT component of the NPS. The compliance migration deadline to the new system is 30th June 2021. The migration of clients from the existing offering to the enhanced version together with the decommissioning of the existing EFT system have already commenced and the industry is well on track to meet the deadline. Banks will continue to communicate directly with their customers well in advance such that any impacts are understood and managed prior to moving to the NamPay system. PAN encourages all customers to engage their financial institutions for information specific to how they will

Governance

The continuous improvement in terms of the governance of PAN has been tabled with the PAN Management Council and it has received the attention it deserves. It was further identified as a key focus during the drafting of the NPS Vision 2025. As the ecosystem is evolving, we have established that the governance process needs to be inclusive, transparent and fair for all players. The respective payment clearing houses (PCHs) have been renamed to 'Forums' to portray their inclusion of non-banking participants and service providers as participants on these committees. We also introduced an E-money forum that will be looking at enhancing efficiencies in that payment stream and bringing about interoperability of the participants' e-money offerings.

Entry and Participation Criteria

The new Entry and Participation Criteria became fully effective on the 11th March 2019 and all service providers were assessed in accordance thereof. The existing service providers were granted extension with regards to compliance with the amended criteria and have since complied. PAN and BON are on a continuous journey of updating the criteria and ensuring that it remains relevant and current to the payments landscape. In line with the ongoing review of the PSM Act and the NPS Vision 2025, PAN will be reviewing the criteria in the 2021 financial year to reflect these sentiments.

Members

We work with a wide range of participants to maintain a self-regulatory regime for the Namibian payments system. For the year 2020 we have seen no new entry in terms of system participants nor service providers.



Saima Herman,
Manager: Regulatory
and Compliance

Table 1: FULLY AUTHORISED MEMBERS OF PAN

NO.	NAME	STATUS
1	Banco Atlántico Europa Namibia Branch	Full Member
2	Bank BIC Namibia	Full Member
3	Bank of Namibia	Full Member
4	Bank Windhoek	Full Member
5	First National Bank	Full Member
6	Letshego Bank Namibia	Full Member
7	Nampost	Full Member
8	Nedbank	Full Member
9	Standard Bank	Full Member
10	Trustco Bank	Full Member

No provisional members for 2020.

Table 2: FULLY REGISTERED PAYMENT SERVICE PROVIDERS IN NAMIBIA

NO.	NAME	TYPE	STATUS
1	ATM Solutions Namibia (Pty) Ltd	System Operator (Automated teller machine deployment services)	Fully Registered
2	Collexia Payments (Pty) Ltd	Payment Intermediation Service Provider (Collector)	Fully Registered
3	Virtual Card Services Namibia (Pty) Ltd	System Operator (E-commerce for card-based services)	Fully Registered
4	EasyPay Namibia (Pty) Ltd	System Operator (Card acquiring services)	Fully Registered
5	eCentric Payment Systems Namibia Pty Ltd	System Operator (Card acquiring services)	Fully Registered

NO.	NAME	TYPE	STATUS
6	Hyphen Technology Namibia (Pty) Ltd	System Operator (Management and processing services in respect of payment)	Fully Registered
7	Innervation Value Added Services (Pty) Ltd	System Operator (Integrated card-switching services)	Fully Registered
8	Namclear (Pty) Ltd	Automated Clearing House (Payment clearing house service provider)	Fully Registered
9	National Payments Solution (Pty) Ltd	System Operator (E-commerce and integrated point-of-sale payment processing services)	Fully Registered
10	MobiCash Payment Solutions (Pty) Ltd	Payment Intermediation Service Provider (PISP- facilitator) and System Operator (integrated card switching services)	Fully Registered
11	Mobitek cc	System Operator (Chip-and-PIN card payment solution)	Fully Registered
12	Paymate (Pty) Ltd	Payment Intermediation Service Provider (Collecting facilitator – EFT/Cards)	Fully Registered
13	StayToday Bookings Namibia (Pty) Ltd	Payment Intermediation Service Provider (Facilitator)	Fully Registered
14	RealPay Collections Namibia (Pty) Ltd	Payment Intermediation Service Provider (Collecting facilitator – EFTs)	Fully Registered

TRANSFORMATION

The payments landscape in Namibia is forever changing, driven by technology and payments innovation, as well as shifts in the ways that Namibian consumers and businesses make payments.

COLLABORATION

The payment system is experiencing great transformation in terms of increased efficiency and collaboration of all players in the payment sphere.

The following sub-committees of the PAN Management Council were approved for the year 2020:

- Card Forum
- Electronic Funds Transfer Forum
- Immediate Settlement Forum
- E-Money Forum
- PAN Stakeholder Forum
- Financial Institution Fraud and Security Committee (FIFSC)
- Technology Innovation and Design Forum

PAN as an institution will continue to ensure that it lives up to its mandate as per the Act in influencing the industry’s payment infrastructure modernisation, and ensuring that the NPS infrastructure, rules, standards, and by-laws are best equipped to support and enable innovation, while maintaining a transparent and fair environment for participants.



THE NATIONAL PAYMENT SYSTEM IN DETAIL

Table 3: COMPARISON OF VOLUMES BY TRANSACTION TYPE: 2016 - 2020

TRANSACTION TYPE	VOLUME				
	2016	2017	2018	2019	2020
Cheque	1,254,622	708,885	319,458	26,979	0
EFT	17,815,891	18,375,142	19,467,227	20,357,354	21,175,762
Card	40,793,248	25,185,093	34,046,739	42,901,497	47,172,498
Immediate Settlement	69,327,000	65,981,000	60,189,000	66,148,000	69,291,000

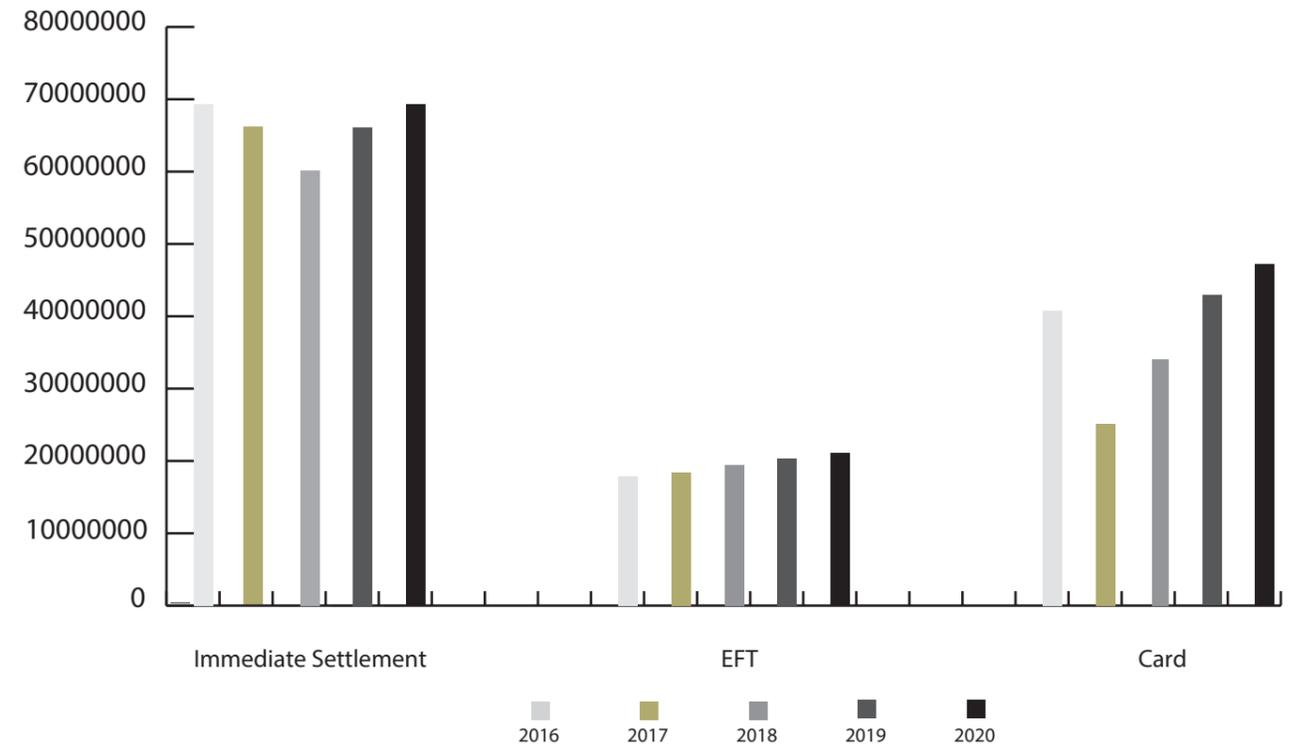
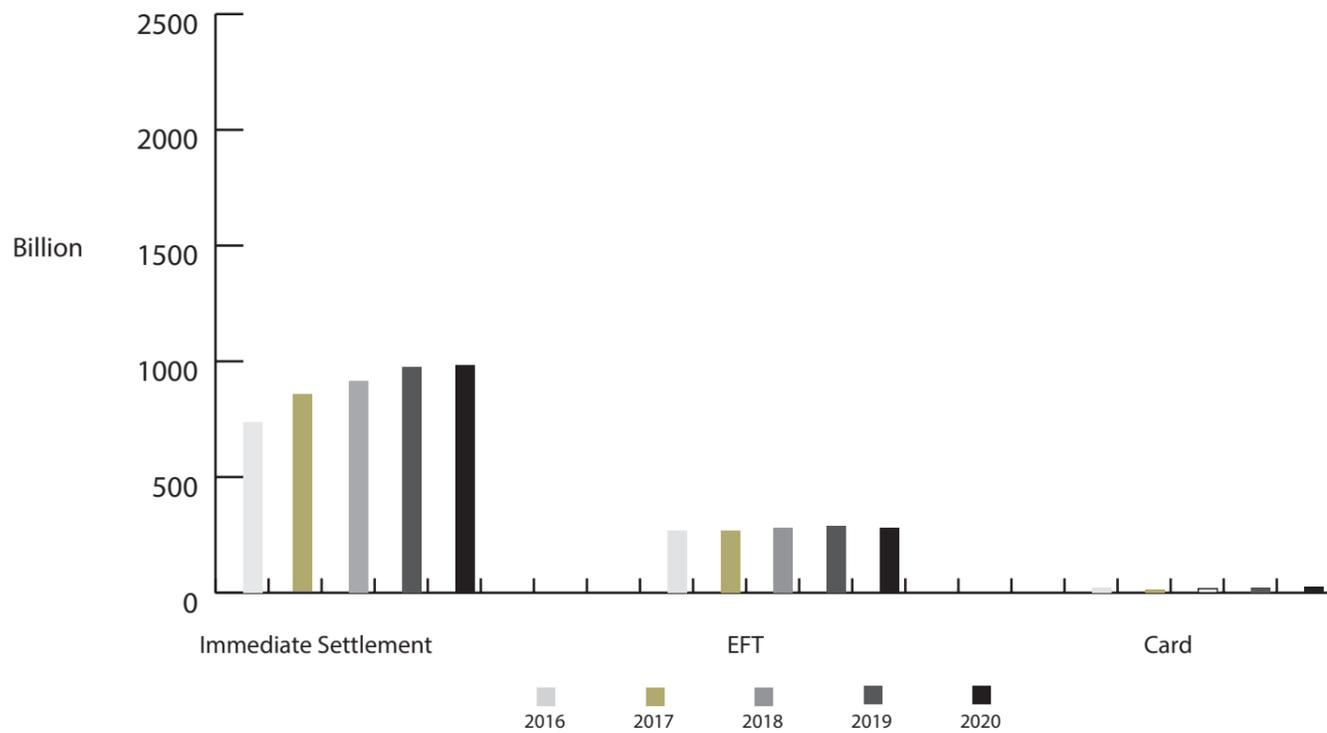


Table 4: COMPARISON OF VOLUMES BY TRANSACTION TYPE (N\$): 2016 - 2020

TRANSACTION TYPE	VOLUME				
	2016	2017	2018	2019	2020
Cheque	11,970,865,119	6,676,019,167	3,342,955,885	349,930,387	0
EFT	268,434,519,205	269,028,242,444	280,093,653,135	289,342,112,547	279,419,944,713
Card	21,568,189,422	13,272,296,715	18,015,273,912	22,936,624,471	27,917,380,241
Immediate Settlement	739,988,338,663	852,693,885,521	913,080,522,022	975,678,157,130	983,836,865,330



While EFT transacting has retained its place as the most preferred payment method by dollar value, the total worth of transactions in this stream saw a 3.43 % decrease, or just under N\$ 11 billion, between 2019 and 2020. This decrease can mostly be attributed to job losses and business closures on the back of the Covid-19 pandemic, which meant that EFT-processed salary payments and commercial sales dropped from the prior year. Further aided by the phasing out of cheques on 30th June 2019, card transacting continues to be the most popular payment method by volumes, having grown a cumulative 15.64% over the past five years to stand at a total count of 47,172,498 transactions by the end of 2020.



Camanthea Izaaks,
Chairperson: Card
Forum

ATTENDANCE

The Card forum experienced impeccable attendance from participants in the 2020 financial year and continues striving to create cost effectiveness, enhancement, and safety in their National Payments System stream.

The forum further made good progress in various areas and similarly faced challenges in others in the year under review, as detailed on the opposite page:

MESSAGE FROM THE CHAIRPERSON OF THE CARD FORUM

ATTAINMENTS

Retail Interchange

The Namibian Competition Commission (NaCC) has decided to approve the industry's exemption application in terms of section 27 of the Competition Act. Before issuing the Government Gazette to formally communicate this, the Commission engaged PAN to discuss the conditions to be imposed as part of the decision.

These conditions are predicated on the competition concerns that the joint setting of interchange fees raises and are therefore aimed at mitigating and/or addressing competition concerns in that regard.

Card forum governance

Over the 2020 financial year, extensive work was undertaken by the Card forum to review its Card governance documentation. The PMC resolved to approve the forum's Terms of Reference, Rules, and

Schedules. The documents are currently awaiting endorsement by BON, having been revised to address review queries from their initial submission to the regulatory body.

The review of the Card Framework has been a pending item dating back as far as 2017 which the forum has now committed to finalise by 31st July 2021. A detailed timeline schedule of all activities and workshops needed to meet this deadline has been drawn up and adopted by the participants.

CHALLENGES

Industry e-commerce project – PSD4

The Card forum has struggled with the overall completion of this project. The respective dispensation deadlines of 30th June and 30th August 2020 were not met due to delays experienced in assessing and finalising the project's

business requirements documentation (BRD) as well as several technical and connectivity issues encountered. While BON approved the forum's dispensation request to 26th February 2021, it has understandably imposed specific approval conditions for the industry to comply with. With participants agreeing for NamClear testing to go live on 15th November 2020, testing has since resumed and the completion of this project by the revised deadline is currently on track.

Contactless

The Contactless project received second place in the project pipeline of the Card forum and will be coordinated by the PAN project management office. A daily test group was established and consists of representatives from each system participant with the appropriate authority to make relevant decisions.

Payment Card Industry Data Security Standard (PCI DSS) compliance

While the ongoing PCI DSS compliance project remains a continuous exercise, industry’s biannual reporting continues to be adhered to. The project’s compliance due date came under scrutiny of BON which resulted in the forum agreeing on a compliance extension date of 31st December 2025. Dispensation to this effect is to be requested from the regulator, due to the costs involved in this project and the priority of others which are hindering the PCI DSS project’s progress. Detailed reports from individual participants explaining the reasons for the recommended extension request are being compiled and consolidated and will be forwarded to BON for consideration.

OPPORTUNITY

Standard interoperable quick response (QR) codes

An industry QR code payment stream in the NPS is a rising opportunity which speaks directly to the NPS vision goals of innovation and interoperability. During the 2021 financial year, progress is expected to be made towards setting the necessary

groundwork for this strategic intent.

TRANSACTION STATISTICS

At a total of 47 172 498, the volume of card transactions in 2020 represents a 9.96% increase from the prior year volume figures, and a cumulative 15.64% increase over the past five years. Similarly, the value of card transactions has grown by 21.72% (or N\$4 980 755 771) from 2019 to 2020 as well as by a cumulative 29.44% over the past five years, and now stand at just under N\$28 million. The increase in volume and value figures of card transactions can be partly attributed to consumer behaviour which increasingly favour cashless and contactless payments, most recently because of the Covid-19 pandemic’s call for more digital payment means. Figures 7 and 8 represent the usage of cards in the NPS in comparison to the last five years.

HIGHLIGHT

The increase in volume and value figures of card transactions can be partly attributed to consumer behaviour which increasingly favour cashless and contactless payments, most recently because of the Covid-19 pandemic’s call for more digital payment means.

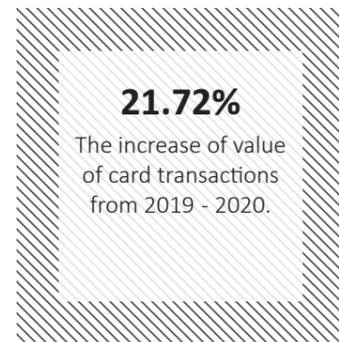


Table 5: Card transaction volumes: 2016 - 2020

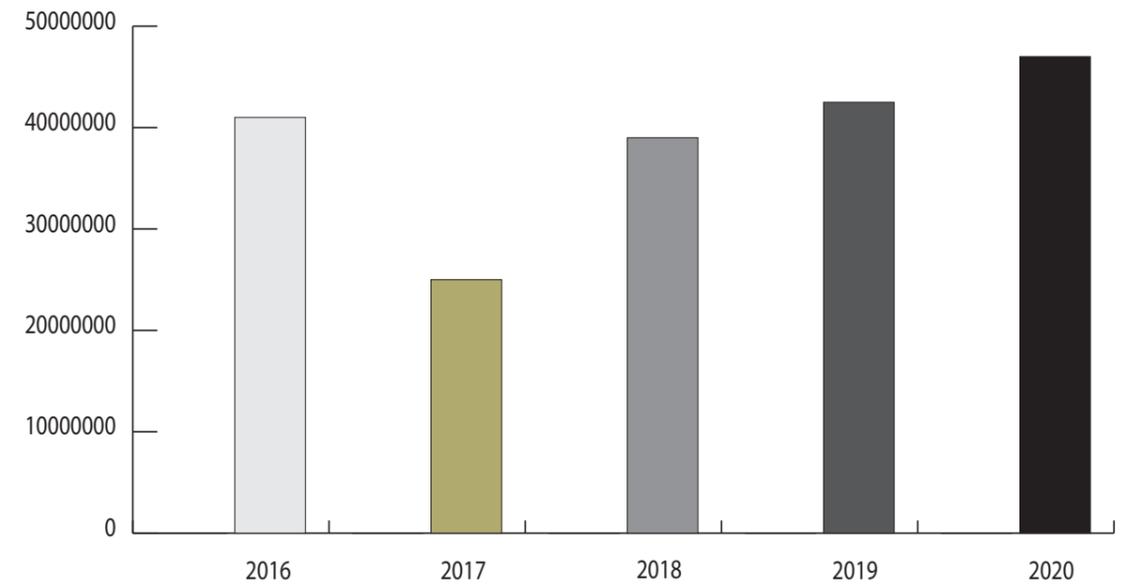
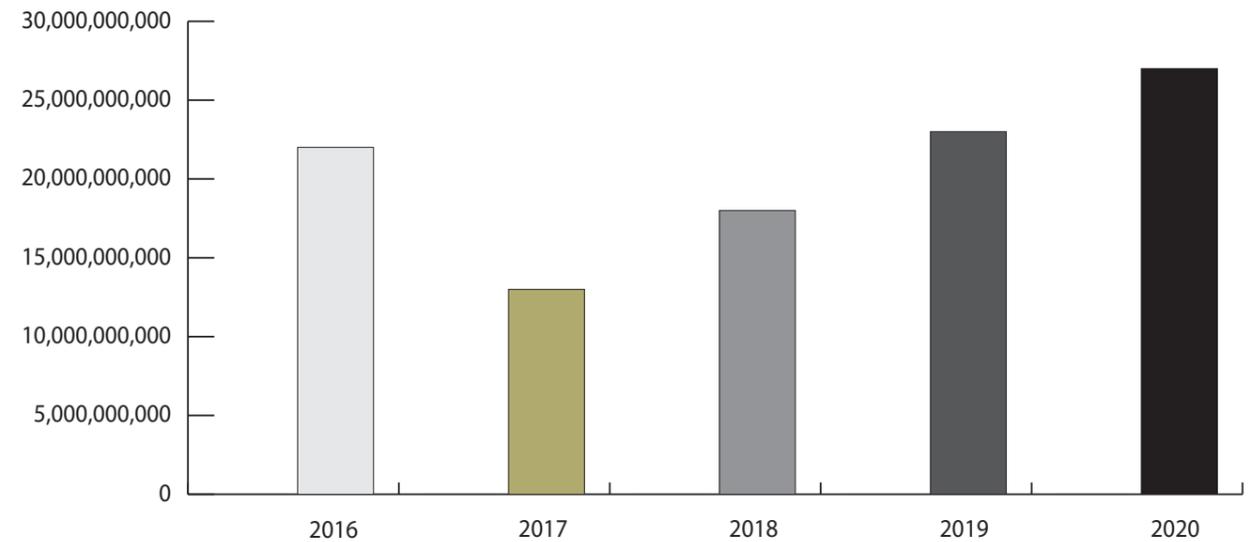


Table 6: Card transaction values (N\$): 2016 - 2020



MESSAGE FROM THE CHAIRPERSON OF THE ELECTRONIC FUNDS TRANSFER FORUM

General attendance of forum sittings over the 2020 financial year was exceptional. Industry discussions and deliberations were productive, and predominantly centered on items handed over to the forum from the Technology, Innovation and Design Forum as well as numerous considerations of the ongoing NamPay solution. In line with our aspirations to become a more digital, agile, and client-centric industry while ensuring safety of the NPS, the forum's participants have delivered the migration process of data from the old EFT system to NamPay well in anticipation of the looming 30th June 2021 deadline. Banks continue to make use of their own migration strategies for the onboarding of clients onto the system and roll-out of the migration phases. Progress updates continue to be communicated to BON through PAN's project management office.

Despite the internal and external pressures of new ways of working and what has become a generally unpredictable business environment, the industry participants collectively drove solutions with consistency, robust, and notable caution, and did well in meeting the NamPay deliverables.

NamPost has commenced work to join the EEFT service stream during the 2021 financial year. With the projected timelines having been communicated to the forum, the participants wish NamPost well with their endeavours.

In the 2020 financial year, industry volumes of EFT transactions increased by a total of 818 408 (or 4.02%) from the 2019 comparative period. This increase compounds to a cumulative 18.86% (3 3359 871) volume increase over the past 5 financial years.



Anusca Stumpfe,
Chairperson: EFT
Forum

Inversely however, the EFT transaction values saw a 3.43 % decrease, or just under N\$11 billion, between 2019 and 2020. This decrease is an expected outcome of the experienced national lockdown measures imposed because of the pandemic, and the resultant job losses and business closures which meant that EFT-processed salary payments and business revenues dropped from the prior year.

The continuous commitment, resilience and agility with which participants fulfilled the forum's activities and NamPay project deliverables over the past challenging year is commendable.

Table 7: EFT transaction volumes: 2016 - 2020

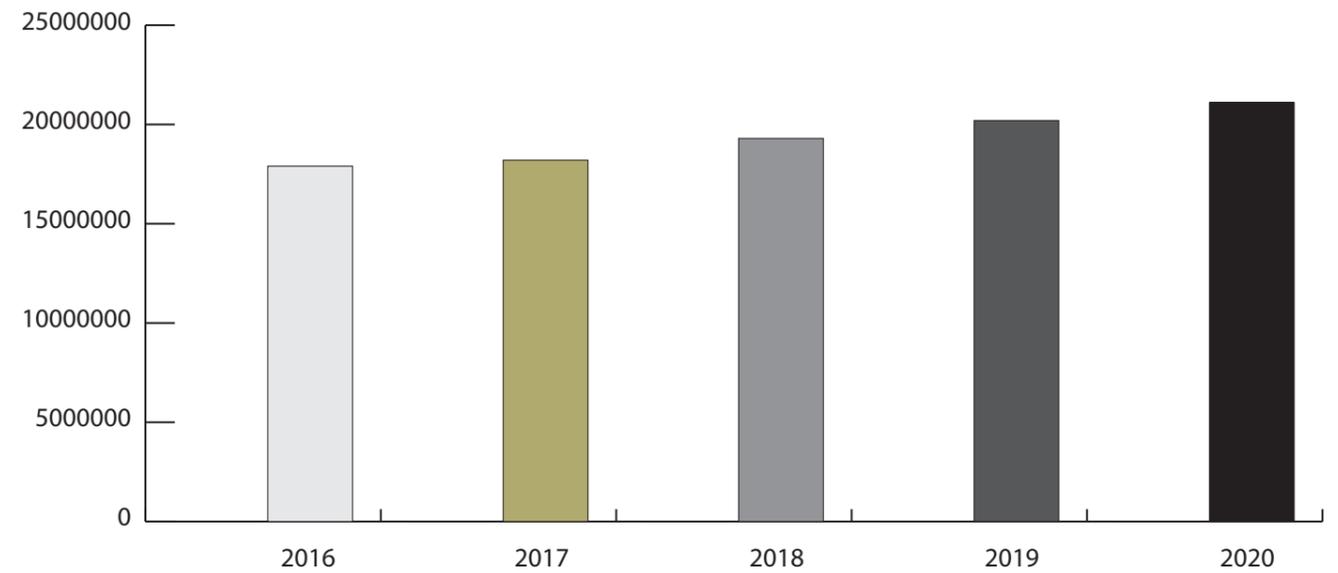
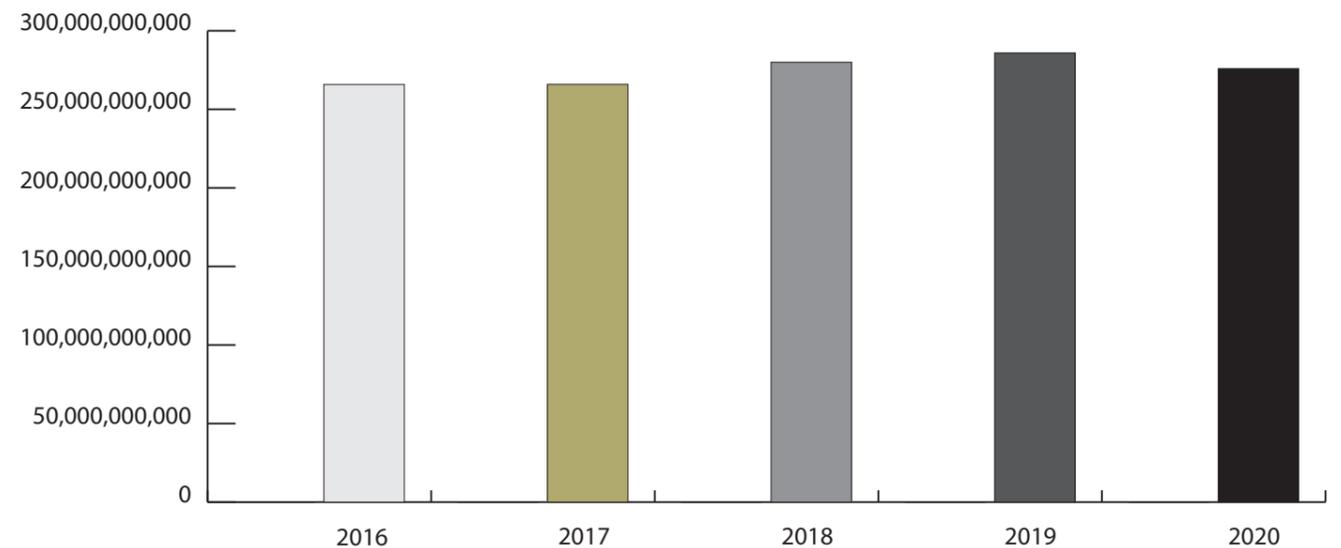


Table 8: EFT transaction value: 2016 - 2020



MESSAGE FROM THE CHAIRPERSON OF THE IMMEDIATE SETTLEMENT FORUM

Key focus areas of the Immediate Settlement (IS) Forum during the 2020 financial year were:

OPERATIONAL PROCEDURES - TRANSACTION LIMITS AND CUT-OFF TIMES

The industry resolved that no minimum transaction limit would be set within the Namibia Interbank Settlement System (NISS), and that low value payments would therefore also be processed therein. Inconclusive deliberations were held between the Bank of Namibia and the IS forum on delineating new cut-off times within the payment industry. It was concluded that this matter would be referred to the Banker’s Association of Namibia (BAN) treasury committee for discussion and a final decision that appropriately mitigates the risk of unforeseen competition forces amongst system participants. In the absence and anticipation of a resolution to this issue, it remains key risk-managed item on the forum’s risk log.

STRAIGHT THROUGH PROCESSING

The industry took note of the Bank of Namibia’s adoption of Straight Through Processing (STP) standards and the outlined compliance timelines for the IS Forum participants. The forum will now proceed with collaboration towards a project plan for industry-wide implementation of the standard, while individual banks will be expected to conduct internal readiness assessments for STP implementation. Meanwhile through the IS forum, the PMC approved the Straight Through Process (STP) definition as “an automated electronic payment process that allows for the entire payment process from initiation, clearing, final settlement and through

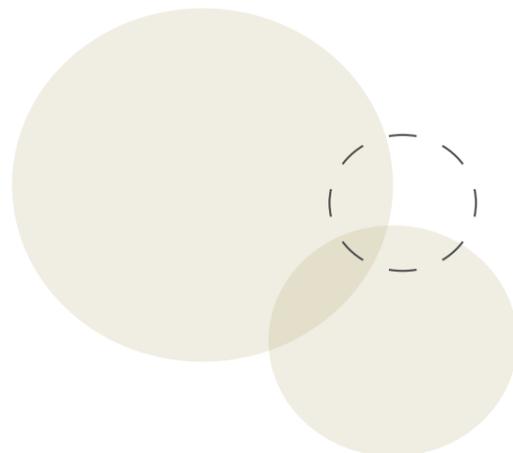
to reflection on the beneficiary’s account, to be free of human intervention as far as humanly possible”.

USER NOTICE FRAMEWORK

From a change management perspective, the forum has made progress on drafting a user notice framework which is expected to be completed in the 2021 financial year.

TRANSACTIONS STATISTICS

While the relative newness of the IS payment stream does not allow for comparative analysis of volumes and values at this stage, the forum can report that at 69 291 transactions (or 0.1% of annual volumes) processed over the 2020 financial year, transaction values already stand at just under N\$ 1 trillion and represent 76.2% of the annual value of transactions across the NPS.



STP

An automated electronic payment process that allows for the entire payment process from initiation, clearing, final settlement and through to reflection on the beneficiary’s account, and to be free of human intervention.

76.2%

The percentage of IS transactions across the NPS.

69 291

The number of transactions in the IS stream processed in 2020.



Ella Tjozongoro,
Chairperson: IS Forum

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



Beatha Shitemba,
Chairperson: FIFSC

The evolution of the fraud landscape continued in 2020, further greatly impacted by the global Covid-19 pandemic, with fraudsters taking advantage of the anxieties and uncertainties of people during this time to devise new ways of defrauding them.

As per the biannual fraud report published by BON, the total fraud value in the NPS during the first semester of 2020 (S1 2020), shows a slight increase from N\$3.81 million in S2 2019 to N\$4.62 million. There is typically a delay between the time criminals obtain consumers' personal details such as through social engineering and when they use those details to commit fraud. Consequently, the full losses from Covid-19 fraud scams have not yet been realised.

During the year under review, the FIFSC engaged with NAMPOL and various stakeholders to pool efforts in the combating of cybercrime. This collaboration will be intensified over the 2021 year to better manage the detection, reporting and apprehension processes that cut across industry to law enforcement agencies. Since fraud is a global phenomenon perpetrated by highly organized criminals, it was essential that financial institutions avoided working in silos and instead coordinated efforts to prevent it. Detailed below are the most prevalent types of fraud experienced over the 2020 financial year:

IDENTITY THEFT

Using key pieces of personal information and identification that criminals harvest from members of the public, they were able to take over bank accounts, obtain bank statements as well as siphon money from victims' bank accounts through unauthorized transfers or withdrawals. The capacitation of law enforcement in dealing with these incidents is key in minimizing the impact of losses to victims.

DEPOSIT SCAMS

During 2020, the industry saw an increase in the number of fake proofs of payment (PoPs) fraud schemes. Businesses appeared to be the most targeted by this scam, where they were presented with fraudulent PoPs and subsequently released goods supposedly purchased. While some participants are developing means to allow consumers to verify PoPs on their online banking portals, the quicker reflection of funds in bank accounts to flow from the Nampay project is also hoped to decrease the prevalence of this scam.

CARD NOT PRESENT FRAUD

Card not present (CNP) fraud continued to increase in the year under review, with multiple incidents having been reported by most of the participants at each forum sitting. At N\$ 2.8 million, the S1 2020 CNP fraud losses reported already exceeded the N\$ 2.64 million figures recorded for

the whole of 2019. Given consumers' increased use of card payments over the internet, this spike was expected. The participants' implementation of the 3D secure protocol is expected to limit further increases in this fraud category.

ACCOUNT TAKEOVER

Account takeover (also known as 'account compromise') occurs when a fraudster obtains access to a genuine customer's bank account by misrepresenting themselves as a client in a branch. An increase in reported cases over the 2020 year is partly due to the use of face masks to limit the spread of Covid-19, which called upon frontline banking staff to exercise enhanced vigilance in the physical verification of clients prior to assisting them.

While the task of identifying, investigating and preventing fraud is a challenge to financial institutions, information, as always, remains the first step towards fraud prevention. The forum is cognizant of the need to craft more impactful fraud awareness campaigns and messaging through multiple means to ensure that the public is appropriately armed with the necessary know-how to spot, avoid, and report fraud occurrences.



The Covid-19 pandemic has highlighted the daily challenge faced by the financially excluded when transacting. With cash no longer a preferred option for the disbursement of funds and social grants, the cost of transacting in lower denomination payments has proven to be disproportionate to the value of the transaction, meaning the less well-off often end up paying more for the same service as a percentage of their spend. With many Namibians still unable to access traditional banking channels, e-money transacting may offer the needed bridge to financial inclusion provided the barriers of entry to the stream are simplified and that transactional costs are kept to a minimum.

Through the active participation of financial and non-financial institutions alike over the 2020 financial year, Namibia achieved a substantial increase in the use of e-money, further renewing the nation's confidence in this payment channel. Whilst most of these transactions have remained voucher to cash, there has been a steady growth of e-money being used as a payment token for goods and services.

It is the consensus of the forum that implementing e-money channel interoperability between participants will enhance the use of e-money by enabling seamless transactions across platforms and financial institutions as is the case with other payment channels.

The mandate given to the E-money Forum is clear: to ensure that full interoperability is achieved by 2025 to include payments between a) individuals to individuals (P2P) and b) between individuals to businesses and government (B2G). A further mandate is to enable bank account to e-money as well as e-money to bank account remittance.

From a governance perspective, steady progress was achieved by the forum with the adoption of the E-money Forum Terms of Reference and the Forum Principles which outline the processes and rules that will be established by the Forum in 2021.

With the support of PAN, the forum explored the continental best practices that identified e-money interoperability as being a new process for most, with Tanzania being highlighted as a possible case study for their managing of e-money interoperability. The SADC RTGS was also noted as a working model that offers a simplified approach towards onboarding banks and non-banks participants. For 2021 the main driver for the forum is the finalisation of the forum's rules document as well as the establishment of at least one non-exclusive switch service provider with a target of 70% of participant participation.

MESSAGE FROM THE CHAIRPERSON OF THE ELECTRONIC MONEY FORUM

Active Participation
Namibia achieved a substantial increase in the use of e-money.

Voucher to Cash
An increase in e-money being used as a payment token for goods and services.

E-money Mandate
To achieve full interoperability by 2025.



Paul Rowney,
Chairperson: E-money
Forum

MESSAGE FROM THE CHAIRPERSON OF THE PAN STAKEHOLDER FORUM

PURPOSE

The purpose of the PAN Stakeholder Forum (PSF) is to provide a discussion platform to foster and facilitate collaboration between the PSF stakeholders in the NPS.

The PSF considers the future direction of public policy in payments and focuses on ways to promote innovation and system evolution over the long-term while ensuring healthy competition.



Pieter Swanepoel,
Chairperson: PSF

During the past year, the PSF achieved its purpose through robust internal deliberations and participation in the payments industry regulatory and legislative changes, as well as its contribution to the co-creation of the NPS Vision 2025.

The global trend in the shift to digital payments has undoubtedly been expedited by the Covid-19. On the back of the socioeconomic impact of the pandemic, the payments services offered by PSF members created support in keeping the wheels of the economy turning through electronic and digital payments solutions. The globally observed increase in the demand for digital and contactless payments call for continued innovation in the field of digital payment solutions which create exciting new market opportunities for payments service providers in the PSF forum.

GOVERNANCE

The activities of the PSF

continued during the past year with quarterly member meetings that were well attended and recorded. Notwithstanding the impact of the crisis, PSF members evidenced their ability to adapt to 'the new normal' through their participation in virtual meetings, which enabled the PSF to continue carrying out its mandate. The PSF kept the PMC informed of its activities with quarterly PSF activity reports submitted and recorded at council's meetings.

All members remained aligned to their obligations under the forum's constitution as well as to member resolutions. The PSF is focused on internal member participation to ensure informed and aligned participation in the broader NPS structures.

A highlight to the PSF is the decision by the PMC to include the PSF in the PAN payment stream forum structures to which the PSF has nominated main and alternate members to represent PSF's interests.

PSF MEMBERSHIP

Alongside the evolution of the Namibian NPS, the PSF membership base reflects the innovation associated with the payments eco-system. The forum's membership increased to a total of 12 non-bank participants who comprise of not only payments service providers but also include industry associations representing stakeholders where payments instruments are key enablers of their business models.

ENHANCED ELECTRONIC FUNDS TRANSFER (EFT) PROJECT (PSD-7)

The NamPay project ("Enhancement of the Electronic Debit Order System" as per PSD-7) remains a high priority focus for the PSF given its stakeholder dependency on the new payment stream. The maturation of the Enhanced Debit Order System (EnDO) is a key interest for PSF. The forum remained closely involved in the project with its nominated representatives actively participating in the

steering committee and other structures of the project, while individual payment service providers (PSP's) further directly liaised with their sponsor banks on key project considerations.

NPS VISION 2025

An industry highlight to the PSF was its involvement in the co-crafting of the NPS Vision 2025, which marked the second round of non-bank member participation in and contribution to the development of the national payments strategy. Given the fast-changing global payments ecosystem, it is imperative that the Namibian payments industry remains attuned to global trends whilst ensuring that the application of its strategic goals and objectives remain focused on local requirements and uniqueness. This approach was evidenced in the process of crafting the new payments vision.

The established payments legal construct in the Act and the PAN structures that are inclusive of non-banks do well in positioning the Namibian payments fraternity as a world class payments industry. This position is certain to attract more innovation and allow wider payments instrument choice to consumers.

The PSF is excited to form part of the strategy and contribute to the achievements of its goals and objectives over the medium to longer term.

PSF STRATEGIC FOCUS AREAS

During the year, significant progress was achieved in structuring the new PAN entry and participation criteria. The importance of fit-for-purpose regulation remains high on the radar for the PSF, and the forum's consultation and liaison with PAN in this regard continues to be key in achieving optimal levels of regulatory and legislative requirements, that allow sufficient room for innovation.

Safety and efficiency of the NPS is a collective effort, and the PSF will continue to contribute to and comply with its set rules and requirements. The PSF's focus on market conduct will further remain top of mind in its collective pursuit towards maintaining regulatory compliance. In this process the balance between business users and consumers needs be obtained whilst achieving efficiency in the NPS.

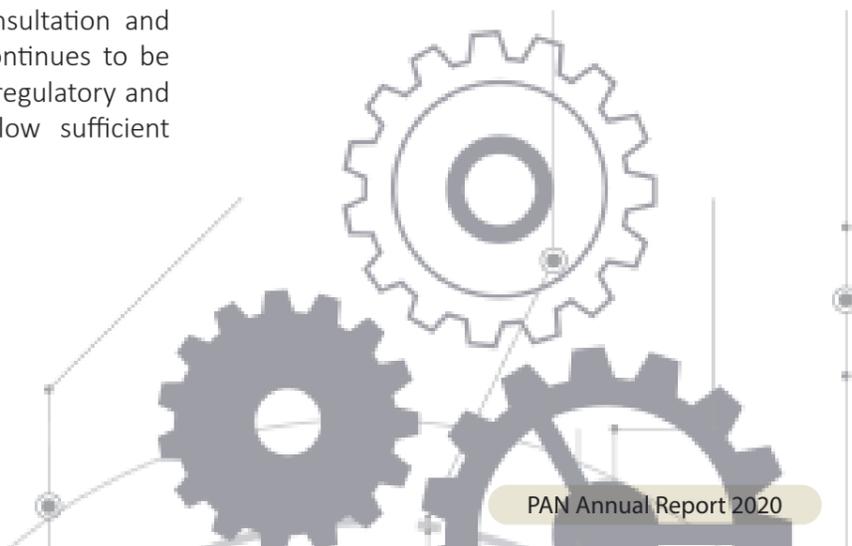
In the short term, the PSF continues its focus on the transition to NamPay to achieve PSD-7 compliance. The PSF remains committed to assist and contribute towards enabling a smooth adoption of the new stream. Longer term strategic focusses to the PSF include its support in achieving the goals set in the NPS Vision 2025.

CONCLUSION

The continued and increased inclusion of the PSF in industry structures not only confirms the relevance of the forum in the payments eco-system but further affirms the value of its contribution to the evolution of the industry in general.

Over the past year, the commitment of and contribution by the PSF leadership as well as its members involved in the various industry structures supported the PSF in achieving its goals and objectives.

The PSF remains motivated to making meaningful contributions to the processes throughout the NPS structures where it is represented.



MESSAGE FROM A MEMBER OF THE SADC BANKING ASSOCIATION PAYMENT SCHEME MANAGEMENT BODY



Each country that has individual members participating in the payment scheme shall have a seat on the SADC Payment System Management Body (PSMB). The Nominating and Governance Committee of the SADC BA manages the confirmations of PSMB Members' appointments.

In this regard, a financial institution that has met the entry criteria to participate in a SADC Payment Scheme and processes transactions within the scheme's rules and processes as well as being permitted to open and maintain accounts in SIRESS, are eligible to serve on the PSMB.

The SADC community is steadily adopting the SADC RTGS system. A SADC RTGS User group was established and is meeting at least once a year, with similar groups being created in-country by some SADC countries to discuss regulation, trading hours across the region, cost of transactions and directives that may be issued from time to time by the SADC PSOC, amongst others.

Supporting the efforts in the region, the TCIB project is driven under the SADC Finance and Investment Protocol governed by the Central Bank Governors. The operating model includes all eligible participants, both bank and non-banks that are authorised by their regulators to join the scheme. While the SADC RTGS system allows for participation of banking institutions, the TCIB

scheme will be interoperable, which will include transfers from non-bank to bank, bank to non-bank and bank to bank. This feature will be an added layer of benefit for customers in the region.

The cross-border low value credit transfer transactions cleared on immediate basis (TCIB) solution is being tested for implementation across the region, and beyond to seek cooperation with other African regions such as EAC (East Africa Community) MNO (Mobile Network Operator) market, COMESA (Common Market for Eastern and Southern Africa) and AACB (Association of African Central Banks) and BMGF (Bill and Melinda Gates Foundation) initiatives. This solution has the potential to leverage and promote financial inclusion.

The card payment scheme is currently on hold due to the efforts being directed at the TCIB payment scheme.

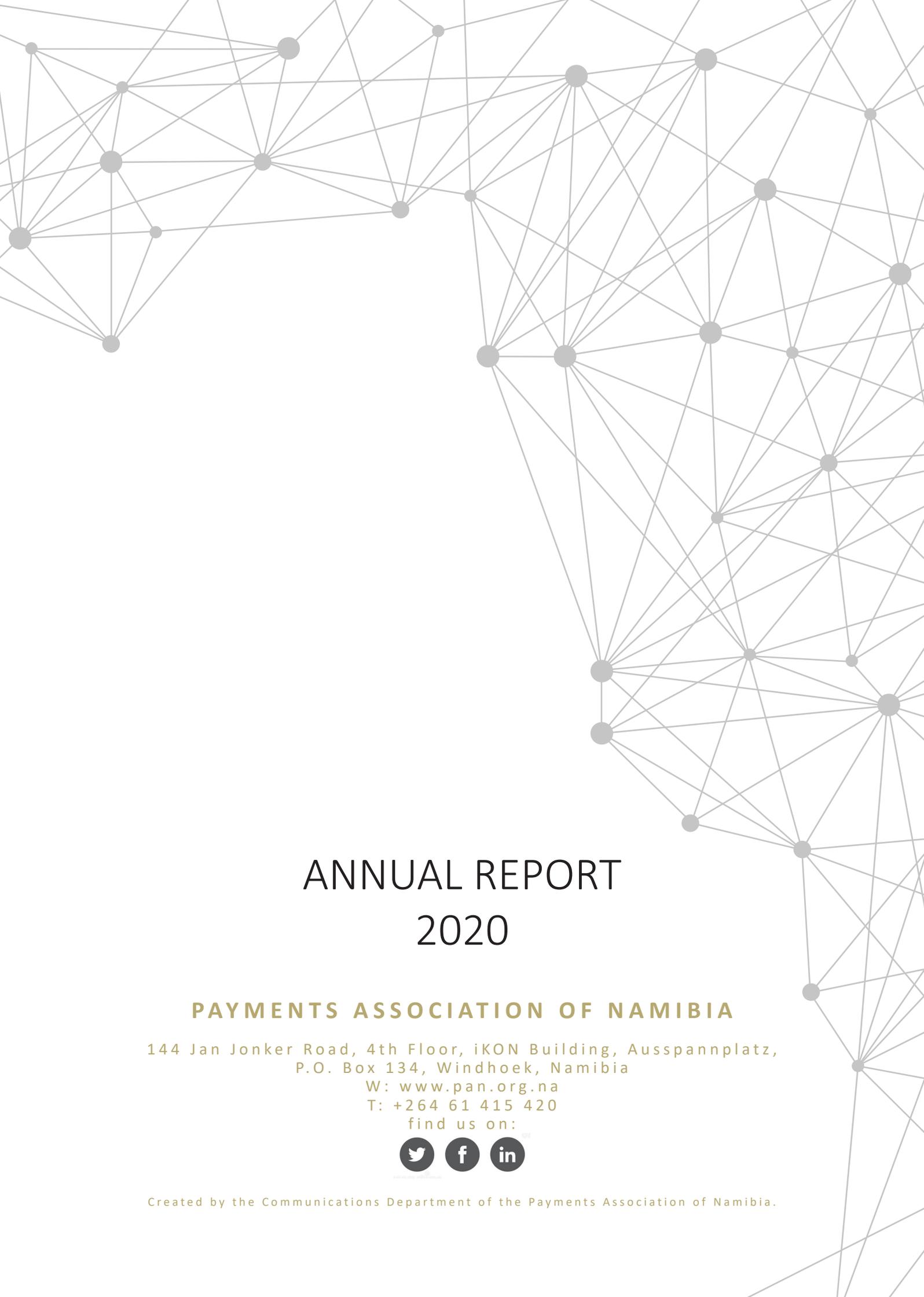
The PSMB continues to carry out its administrative function as it pertains to the SADC Payment Schemes, in collaboration with the SADC PSOC, who oversees the SADC payments system and its various aspects.

Annette Rathenam,
Namibian PSMB Member

Act	Payment System Management Act, 2003 (No. 18 of 2003), as amended.
ATM	Automated Teller Machine- 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.
Bank of Namibia (BON)	Namibia's central bank, established in terms of the Bank of Namibia Act, 1997 (No. 15 of 1997).
Banking institution	An institution authorised to conduct banking business under the Banking Institutions Act, 1998 (No. 2 of 1998), as amended.
Cheque	A paper instrument that 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 a payer's bank and the payee's bank (or their respective agent) which results in the calculation of payment obligations between system participants.
Cross-border transaction	A transaction where at least one of the parties is located outside the home country from which the transaction originates.
Determination	Directives published in Gazette Notices issued by the Bank of Namibia on any matter which is required or permitted by the Banking Institutions Act, 1998 (No. 2 of 1998), as amended, to address issues that are considered necessary and expedient to determine the prudent conduct of the banking business, and consistent with the best standards and sound financial management.
Directive	Such instruction, requirement, rule or procedure as may be approved by a PCH Participant Group as being binding on all members of that PCH and ratified by PAN, or as issued by PAN or by the Bank of Namibia.
Entry and Participation Criteria	Criteria laid down by PAN, in consultation with the Bank of Namibia, for participating in a certain stream of payment transactions.
ISO	International Organisation for Standards.
Item limit	The maximum value for which a cheque can be legally issued, processed and cleared within the NPS.

National Payment System (NPS)	The payment system as a whole, which includes any payment system, settlement system or clearing system arrangement used in the process of effecting payment between payers and beneficiaries.
Nominating and Governance Committee(NGC)	Means the Nominating and Governance Committee of the SADC BA.
Payment system	A system that enables payments to be effected between a payer and a beneficiary.
PSD-7	Determination on Efficiency in the National Payment System.
PSD-4	Determination on the Card Conduct in the National Payment System.
PCH Participating Group	A group governing the affairs of the participants in one or more PCHs and constituted by PAN.
SADC	Southern African Development Community.
SADC PSOC	The SADC Payment System Oversight Committee.
Scheme	A collective of governance structures, rules, processes and instruments that permit payment transactions to be undertaken within SADC in a specific manner.
SIRESS	The SADC Integrated Regional Electronic Settlement System.
TCIB	Transactions Cleared on Immediate Basis .





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