



PAYMENTS ASSOCIATION OF NAMIBIA

PAYMENTS  
ASSOCIATION  
OF NAMIBIA

# ANNUAL REPORT 2019



# OUR PURPOSE, VISION & MISSION



## PURPOSE

To fairly, equitably and transparently manage and regulate the participation, innovation and development of the National Payment System and its stakeholders, to the benefit of the Namibian nation.



## VISION

To maintain a world-class payment system that meets domestic, regional and international requirements.



## MISSION

To be a guardian of a safe and reliable National Payment System that conforms to international standards.

# 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.



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# MANAGEMENT COUNCIL



**Koos Keyser**  
Chairperson



**Annette Rathenam**  
Chief Operating Officer



**Chris Diemer**



**Zane Kotze**



**Candy Ngula**



**Herman Kruger**



**O'Rute Uandara**



**Andries Swarts**



**Sencia Kaizemi-Rukata**



**Pieter Swanepoel**

# EXECUTIVE OFFICE



**Annette Rathenam**  
Chief Operating Officer



**Asser Alfeus**  
Manager Finance and Administration



**Saima Herman**  
Regulatory and Compliance Manager



**Absalom Sheya**  
Project Manager



**Mbapeua Kauuova**  
Payment Analyst



**Ndafelao Elina Nghishishi**  
Payment Analyst



**Lydia Iiyambo**  
Administration Officer

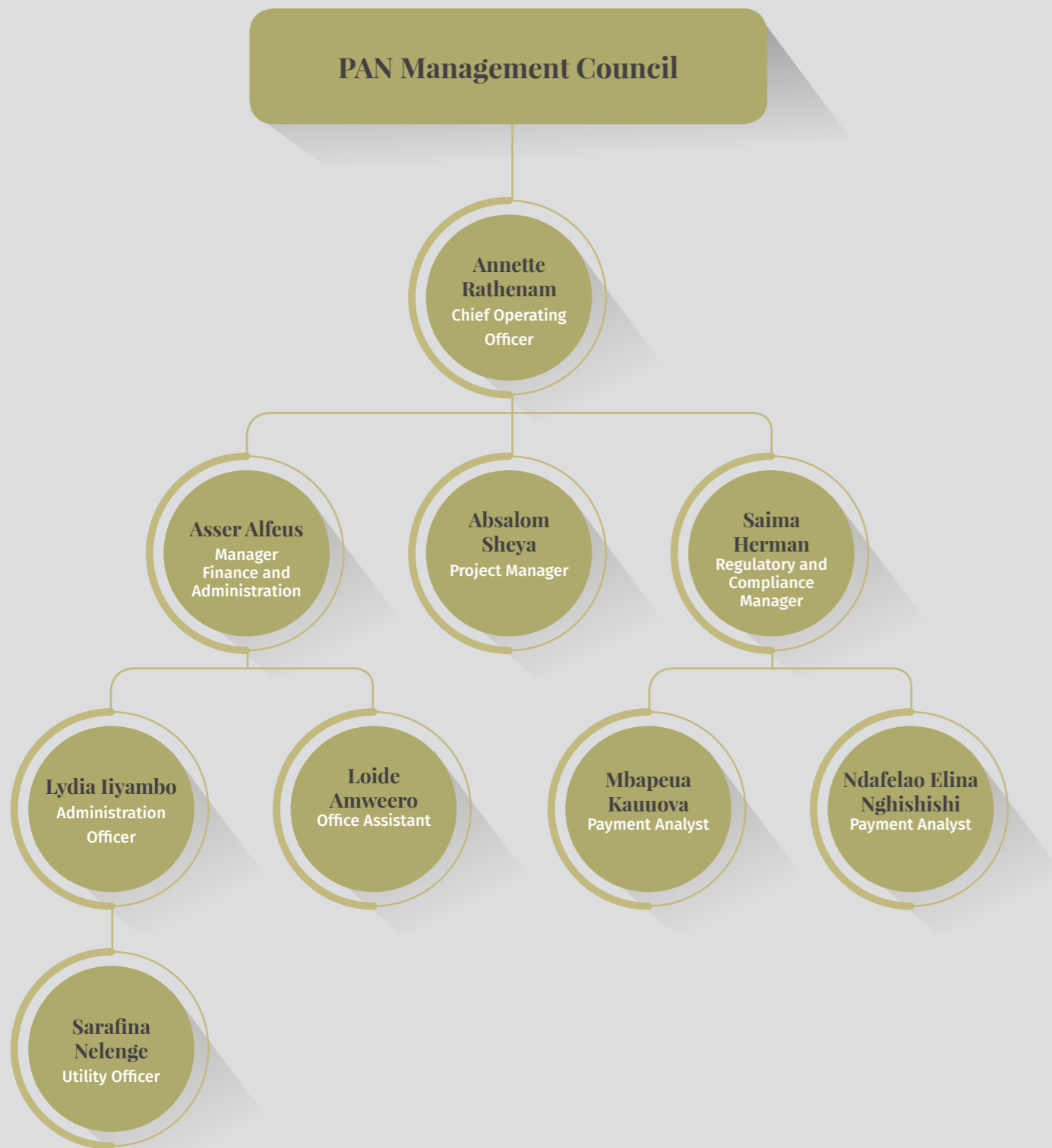


**Loide Amweero**  
Office Assistant



**Sarafina Nelenge**  
Utility Officer

# ORGANOGRAM



# LIST OF ABBREVIATIONS

<b>ATM</b>	Automated Teller Machine
<b>BRD</b>	Business Requirements Document
<b>CMA</b>	Common Monetary Area (includes Eswatini, Lesotho, Namibia and South Africa)
<b>CPOC</b>	Cross-border Payment Oversight Committee
<b>EFT</b>	Electronic Fund Transfer
<b>EMV</b>	Europay, Mastercard and Visa
<b>EnCr</b>	Enhanced Credit (Transfer)
<b>EnDO(S)</b>	Enhanced Debit Order (System)
<b>ID</b>	Identity Document
<b>ISO</b>	International Organization for Standardization
<b>NISS</b>	Namibia Inter-bank Settlement System
<b>NPS</b>	National Payment System
<b>PAN</b>	Payments Association of Namibia
<b>PCH</b>	Payment Clearing House
<b>PCI DSS</b>	Payment Card Industry Data Security Standard
<b>PIN</b>	Personal Identification Number
<b>POS</b>	Point-of-sale
<b>PSD</b>	Payment System Determination
<b>PSD6</b>	Payment System Determination on Criteria for Authorisation of Participants in the Clearing and Settlement
<b>PSD-7</b>	Payment System Determination on Efficiency within the National Payment System
<b>PSF</b>	PAN Stakeholder Forum
<b>PSMB</b>	Payment Scheme Management Body
<b>Q1(2/3/4)</b>	First (second / third / fourth) quarter
<b>SADC</b>	Southern African Development Community
<b>SIRESS</b>	SADC Integrated Real Time Electronic Settlement System





## Message from the INDEPENDENT CHAIRPERSON

**Dr. Koos Keyser**

This report highlights the activities and the progress made by the Payments Association of Namibia (PAN), during the 2019 financial year (1 January – 31 December 2019).

At the time of finalising this message, the world was in the midst of the Covid-19 global pandemic, which has had an unprecedented impact on the global economy. With several disruptions to business processes, employees and contractors as a result of the pandemic, 2019 can best be described as the calm before the storm. And I believe that PAN utilised the relatively calm waters of 2019 well. Despite some of the challenges the Association faced, good progress was made, as shared below.

### CHALLENGES

A major challenge faced by PAN during 2019 included the delays in meeting some of the milestones set for Nampay. These delays were, however, based mostly on realities that emerged during testing. Although some deadlines had to be postponed, I believe that these testing procedures have brought about improved quality of the total solution that Nampay is envisaged to become. This quality improvement was, in itself, progress.

The second challenge was the disappointing attendance at the various Payment Clearing House (PCH) meetings and other forums that drive the organisation. We often experienced challenges in reaching a quorum at the different meetings, including at the level of the Payment Management Council (PMC). This could be explained by two main reasons. One is that our members and stakeholders experienced immense pressure to make the deadlines of Nampay, with extremely limited resources. Another reason is that attendance is not always regarded with the priority it should be. Changing the latter is something in which PAN invested much time and effort, contributing to some of the progress noted below.



“ During 2019, in line with the Association’s plans and budget, staff were trained and ready to perform and execute all functions necessary, and to manage the projects required by the organisation. ”

### PROGRESS

During the year under review, efforts to review progress on the National Payment System (NPS) 2020 Vision and to start planning and research for deliberations to develop Vision 2025 reached a climax. PMC appointed some of its members to serve on the NPS Strategy Committee. Driven by PAN, this committee serves the NPS by proposing a process for the establishment of NPS Vision 2025, a new governance model (which should, amongst others, address disappointing presence at meetings), as well as a new funding model. At the same time, the PAN executive office conducted research and the NPS Strategy Committee provided feedback on their efforts. These research efforts included drawing on lessons learned by other payment associations, especially by the South African Payments Association (PASA); as well as learning about new trends in the payments arena worldwide.

Additional progress included improvements in the quality of reports by the different PCHs and forums to PMC. This raised the level and quality of deliberations and actions of the PMC and served the NPS well.

Finally, PAN continued to see progress in the quality of PAN’s staff complement. During 2019, in line with the Association’s plans and budget, staff were trained and ready to perform and execute all functions necessary, and to manage the projects required by the organisation, despite the departure of the organisation’s project manager at the end of 2019.

### CONCLUSION

We are confident that we will meet the challenges presented by 2020. We especially look forward to the final presentation, consolidation, and summary of all the information necessary to start producing Vision 2025.

# CHIEF OPERATING OFFICER'S REVIEW

**Annette Rathenam**



The 2019 Financial Year has been a busy one for the Namibian payments industry. Our industry stakeholders span a number of institutions, which include teams from national banking institutions as well as project teams within the Common Monetary Area (CMA) banking institutions.

Our success also depends on our stakeholder relations, which extend beyond the banking institutions to include the Bank of Namibia (our Regulator), the Bankers' Association of Namibia, the Payments Association of South Africa, the clearing houses in both Namibia and South Africa – Namclear and BankservAfrica, our PAN Stakeholder Forum (Namibian non-bank stakeholder group) and the consortium of companies involved in the Enhanced EFT Project.

The year under review proved once again that collaboration and effective communication with our stakeholder are critical to the success of our initiatives, as captured in the NPS Vision 2020 strategic objectives.

In this regard, I wish to extend our gratitude to all our stakeholders for their commitment and the innovative ideas produced throughout the year, which have benefited the industry's customers and the Namibian nation at large.

The Compliance and Project Highlights captured in this report set the tone for the work that we embarked upon during the financial year under review. As an industry, we remain excited about the new developments that have brought about innovation and skills development. While we managed the innovation, we also ensured compliance to the relevant legislative regulatory requirements, rules, and the NPS Project Framework, and, where necessary, mitigated the risks as we worked towards a higher degree of interoperability and access to standards within the NPS.

I wish to thank the PAN Management Council for their direction, and all the individual teams for their dedication throughout the year as they took on the challenges presented and ensured that the operational output was maintained at a very high standard.

“The year under review proved once again that collaboration and effective communication with our stakeholder are critical to the success of our initiatives.”

# COMPLIANCE HIGHLIGHTS

**Saima Herman**

MANAGER: REGULATORY AND COMPLIANCE



Industry collaboration is pivotal for ensuring the evolution of the payments system. During the year under review, as the payments landscape continued to become more diverse, the range of organizations that PAN brought together continued to expand, with non-banking institutions now participating in the industry, given the implementation of the PSD 6. PAN structures have also changed.

The PAN Management Council now allows PAN stakeholder forum members to partake in the Participants Clearing House (PCH) Participant Group (PG) discussion – a move that has improved the exchange of invaluable information and encouraged knowledge sharing. It has also reasserted the notion that the Namibian National Payment system is bigger than all of us and, collectively, we want to grow our infrastructure to provide world class payment solutions. As an institution, PAN continuously strives to facilitate international practice, and to promote knowledge sharing and skills in the Namibian payment industry.

## FRAUD

As part of a programme to facilitate the understanding of emerging financial fraud activities, PAN successfully launched a Fraud Campaign on the 18th September 2019, in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). Topics covered by the programme included Letterhead Scams, ATM Scams, Phishing Scams, Deposit, Refund Scams and Mobile Banking Fraud.

## CHEQUE

On the 30th June 2019, the industry phased out the use of cheques, with the final cheque going through the clearing system on the 28th June 2019. The industry has embarked on a project to produce a paper on the history of the phasing out of cheques. It is expected that the paper will be finalized at the end of the first quarter in 2020. During the 2019 financial year, the industry also awaited the finalization of the amendment to various relevant legislations. This is a process that is being driven by the Bank of Namibia



## PAYMENT CARDS INDUSTRY DATA SECURITY STANDARDS (PCI DSS) COMPLIANCE

During the year under review, several strides were made by the system participants (i.e. banking institutions and members of PAN and PSF) to gain traction on the PCI DSS compliance milestone. Although much work remains to be done as an industry, we strive to be all compliant by the end of December 2020.

## INTERCHANGE

Another matter that required substantial attention from the industry was the Interchange issue. In order to regularize the conduct of price fixing, during the year in review, the industry requested exemption from the Namibian Competition Commission in order to engage stakeholders and find a workable solution on how interchange will be addressed going forward. By the end of the financial year, this request was still being evaluated by the NACC and the Bank of Namibia. Once this is done, industry conversations on this matter can proceed.

## GOVERNANCE

Continuous improvement (in terms of governance and the NPS Vision) is pivotal to PAN's growth and to ensuring that the Association is able to effectively carry out its mandate. In this vein, the PAN Management Council and the PAN Executive Office were tasked with addressing the governance of the Association with the following principles in mind:

- **Arm's length:** Independence between the PMC, Participants, BoN and PAN stakeholders;
- **Fairness:** Working towards the common good of all stakeholders;
- **Transparency:** Transparent policies, guidelines, rules and decisions; and ensuring that the public has easy access to information pertaining to the National Payment Systems.
- **Decisions:** Clearly defined and documented decision-making processes;
- **Skills:** Make sure there are balanced and adequate skills to govern the NPS;
- **Relevant regulations:** Review regulations and ensure alignment with the NPS landscape;
- **Representation:** All stakeholders need to be represented in order to achieve collaboration and access into the NPS;
- **Encouragement of Innovation:** NPS structures must allow, promote and maintain a conducive environment for innovation;
- **Funding:** Funding should be determined as per the different NPS streams, and should be based on representation at PCH PG Streams. Voting should not be determined by participant contribution.

## ENTRY AND PARTICIPATION CRITERIA

The new Entry and Participation Criteria were endorsed by the Bank of Namibia, and old and new service providers will need to comply with the new criteria. The date of the enforcement was postponed in order to allow for greater stakeholder engagement. The implementation date is yet to be issued. Any Service Provider operating in Namibia without the required registration certificate will be non-compliant and penalties will be imposed in accordance with the Act. During the ensuing year, we will require greater collaboration with the industry and will need to find ways to increase efficiencies in the assessment of Service Providers. We also plan to review the registration regime and rules for the different types of Service Providers in line with the risk and the payment process evolution.

Namclear, as an Automated Clearing House (ACH), is pronounced by Bank of Namibia as a Financial Market Infrastructure (FMI) and will be overseen by Bank of Namibia. According to the Bank for International Settlements glossary, FMI refers to critically important institutions responsible for providing clearing, settlement and recording of monetary and other financial transactions.

## MEMBERS

Under the leadership of an independent chairperson, Dr Koos Keyser, our vibrant network includes 10 system participants and 13 participants from registered service providers. PAN welcomes the involvement of all organisations with a significant interest in helping payments thrive.

We are delighted to welcome our newest member, Nampost Limited, to PAN. Nampost was licenced as a PSD-6 participant in May 2019 by the Bank of Namibia.

Table 1: Fully authorised members of PAN

No.	Name	Status
1.	Atlántico Namibia	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

“As an institution, PAN continuously strives to facilitate international practice, and to promote knowledge sharing and skills in the Namibian payment industry.”



No.	Name	Status
7.	Nampost	Full Member
8.	Nedbank	Full Member
9.	Standard Bank	Full Member
10.	Trustco Bank	Full Member

No provisional members existed for the 2019 financial year.

## SERVICE PROVIDERS

Table 2 illustrates the range of fully registered payment service providers in Namibia as at the end of the reporting year.

Table 2: Payment service providers registered with PAN

No.	Name	Type of service provider	Status
1.	ATM Solutions	System Operator (Automated teller machine deployment services)	Fully Registered
2.	Collexia	Payment Intermediation Service (Collector)	Fully Registered
3.	EasyPay	System Operator	Fully Registered
4.	eCentric	System Operator (Card-acquiring services)	Fully Registered
5.	Hyphen Technology Namibia	System Operator (Management and processing services in respect of payment)	Fully Registered
6.	Innervation	System Operator (Integrated card-switching services)	Fully Registered
7.	Namclear	Automated Clearing House (Payment clearing house service provider)	Fully Registered
8.	National Payment Solution (Pty) Ltd	System Operator (E-commerce and integrated point-of-sale payment processing services)	Fully Registered
9.	PayMate	Payment Intermediation Service (Collecting facilitator – EFT/Cards)	Fully Registered
10.	PayToday	Payment Intermediation Service Provider (Facilitator)	Fully Registered
11.	Rainmaker Payment CC	System Operator (Chip-and-PIN card payment solution)	Fully Registered
12.	RealPay	Payment Intermediation Service (Collecting facilitator – EFTs)	Fully Registered
13.	Virtual Card Services	System Operator (E-commerce for card-based services)	Fully Registered

The following Sub-committees of the PAN Management Council were operational during the year under review:

- Participant Clearing House (PCH) Card
- Participant Clearing House (PCH) Electronic Funds Transfer
- Participant Clearing House (PCH) Immediate Settlement
- Participant Clearing House (PCH) Cheque
- E-money Forum
- PAN Stakeholder Forum
- Financial Institutions Fraud & Security Committee (FIFSC)

Payments touch everyone’s lives. As such, our industry has an important role to play in sharing information that improves understanding of how payments support the Namibian economy. Given its mandate to facilitate discussions and minimize payment risk, PAN continues to encourage the industry to collaborate on information-sharing initiatives, and to share new developments that will allow Namibia to position itself to meet future needs.

# PROJECT HIGHLIGHTS

**Absalom Sheya**  
PROJECT MANAGER



The NPS projects, which sought to ensure that outcomes that we had planned as a collective came to fruition, certainly kept the industry busy. This was, however, not without challenges. These included, but were not limited to, the inability to test phases in parallel with production and to test environment conflicts, the high cost of running existing and new solutions in parallel for some time post implementation, and the need to test large volumes during the test phase as a means of ensuring that solutions were functionally and technically sound before entering the implementation phase.

Namibia ensures that all national and international industry projects are prioritized by following a set criteria. These criteria take into account the needs of industry stakeholders, including clearing houses and relevant stakeholders who may not be directly involved in the implementation of the proposed solution, for the ultimate benefit of the customer.

In all project activities, we apply sound project management principles in order to ensure that the duration, effort required and cost are taken into account. Importantly, due governance is observed to ensure that projects are prioritised and governed in the most transparent and efficient manner. Projects are rolled out in accordance with the NPS Project Framework.

During the 2019 financial year, our cross-border services were strengthened when Namibia joined the Common Monetary Area (CMA) countries – South Africa, Eswatini and Lesotho – to participate in the CMA Mutual Evaluation Interim Solution project. This project was implemented by 31st October 2019 and is part of the regularization of various FAFT 16 requirements. This was the first time that our four countries joined forces to participate in a project of this stature; and it not only enhanced the collaboration amongst our countries, but also contributed to the technical capabilities in each of these countries. Through our participation in this project, we have added value to transactions of all our customers making use of cross-border services by ensuring that safety and compliance requirements are adhered to. The project teams in each of these countries ensured that project communication – which took place through conference calls – contributed to the success and effectiveness at each stage of the project.

“ Through our participation in this project, we have added value to transactions of all our customers making use of cross-border services by ensuring that safety and compliance requirements are adhered to.

”

A second CMA project is in progress and is related to Amendment Notice No.1 of 2019 of the Directive for the Regularisation of Clearing and Settlement of Cross-border Low Value Credit Electronic Funds Transfers Transactions within the CMA, Directive No. 01 of 2018. The Recovery Plan is due for submission to the Common Monetary Area (CMA) CMA Payments Oversight Committee (CPOC), constituted by the Regulators of each of the CMA countries, by 30 June 2020.

Project communication, guided by the Project Management Framework, ensures that the industry is collaborating on both a national and cross-border level with the individual country project offices, the SADC Bankers’ Association and Regulators to ensure safety requirements and compliance with individual country regulations are met.

# THE NATIONAL PAYMENT SYSTEM IN DETAIL

**Ndafelao Elina Nghishishi**  
PAYMENT ANALYST






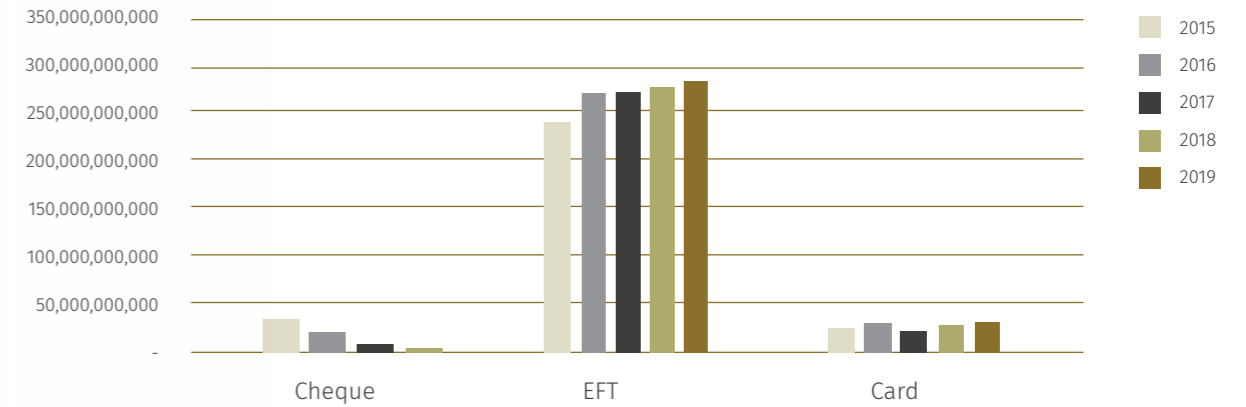
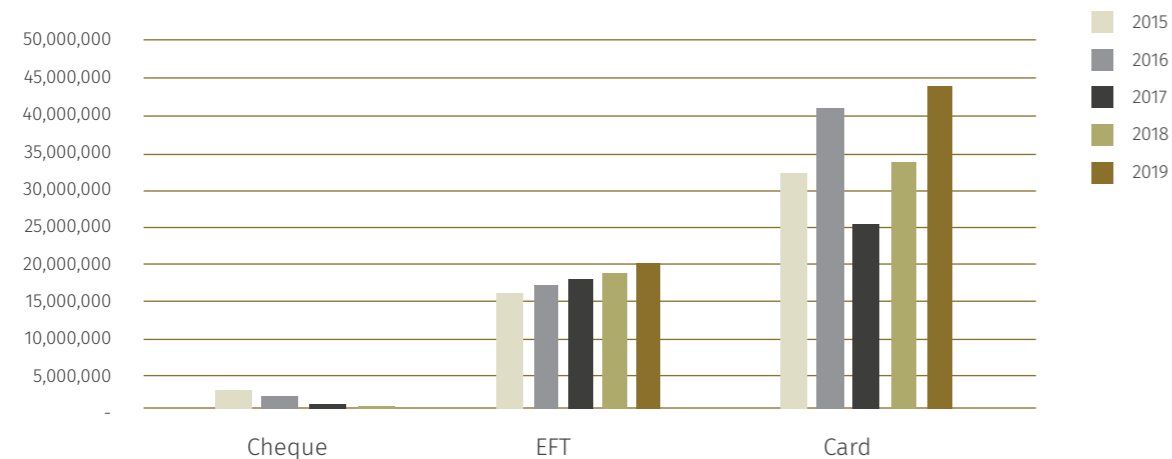
Transaction Type	Volume				
	2015	2016	2017	2018	2019
Cheque 	1,870,368	1,254,622	708,885	319,458	26,979
EFT 	16,196,746	17,815,891	18,375,142	19,467,227	20,357,354
Card 	32,209,668	40,793,248	25,185,093	34,046,739	42,901,497
<b>TOTAL</b>	<b>50,276,782</b>	<b>59,863,761</b>	<b>44,269,120</b>	<b>53,833,424</b>	<b>63,285,830</b>

Table 1: Comparison of volumes by transaction type, 2015 – 2019






Transaction Type	Value				
	2015	2016	2017	2018	2019
Cheque 	32,524,170,039	11,970,865,119	6,676,019,167	3,342,955,885	349,930,387
EFT 	238,172,691,853	268,434,519,205	269,028,242,444	280,093,653,135	289,342,112,547
Card 	17,353,890,264	21,568,189,422	13,272,296,715	18,015,273,912	22,936,624,471
<b>TOTAL</b>	<b>288,050,752,156</b>	<b>301,973,573,746</b>	<b>288,976,558,326</b>	<b>301,451,882,932</b>	<b>312,628,667,405</b>

Table 2: Comparison of values by transaction type (N\$), 2015–2019

In terms of value, EFT transacting has been the preferred method of payment in the NPS over the past several years, although card transactions lead in terms of volume. Paper transactional values for the year 2019 dramatically decreased due to the fact that cheques were phased out at the end of June 2019. Card transactions were also on the rise because consumers preferred to use their cards for payment, rather than cash, for example. It is believed that paper clients moved to cards and EFT transaction methods, which are safer than other available methods of payment.

# Message from the Chairperson of the CARD PAYMENT CLEARING HOUSE

**Johan van Wyk**, CHAIRPERSON



During 2019, the PCH Card participation group gained substantial positive traction in the areas of innovation, efficiency and safety.

In promoting safety for all Card-Not-Present (CNP) transactions, the Bank granted the industry dispensation from PSD-4 (the conduct of card transaction within the National Payment System) through the PAN PCH Card Participating Group. This dispensation, which will be in place until 30th June 2020, was granted to allow a period during which all the relevant stakeholders could become compliant with the 3-D requirements. One of the Bank's conditions during this dispensation is that industry, through the PAN project office, submit project timelines and updates on a periodic basis until the project is completed.

The Payment Card Industry Data Security Standard (PCI DSS) Compliance project is a cumbersome and very critical exercise. In order to monitor the status of individual institutions, submissions were made on a biannual basis. PAN would like to thank every PCH Card participant for their un-wavering determination in upholding all PAN values in our collective effort to safeguard the NPS.

The usage of cards as a payment instrument is continuously evolving. During the year under review, cards saw a 26% growth (or 8.8 million transactions) in the volume of transactions, from over 34 million to close to 43 million card transactions. Moreover, the value of card transactions grew by 35% from over N\$18 billion to close to N\$23 billion. The growth in the use of cards was expected, given the phasing out of the paper instrument.

Figure 7 and 8 represent card usage in the NPS during 2019, in comparison to the previous four years.



“ During the year under review, cards saw a 26% growth in the volume of transactions, from over 34 million to close to 43 million card transactions. ”

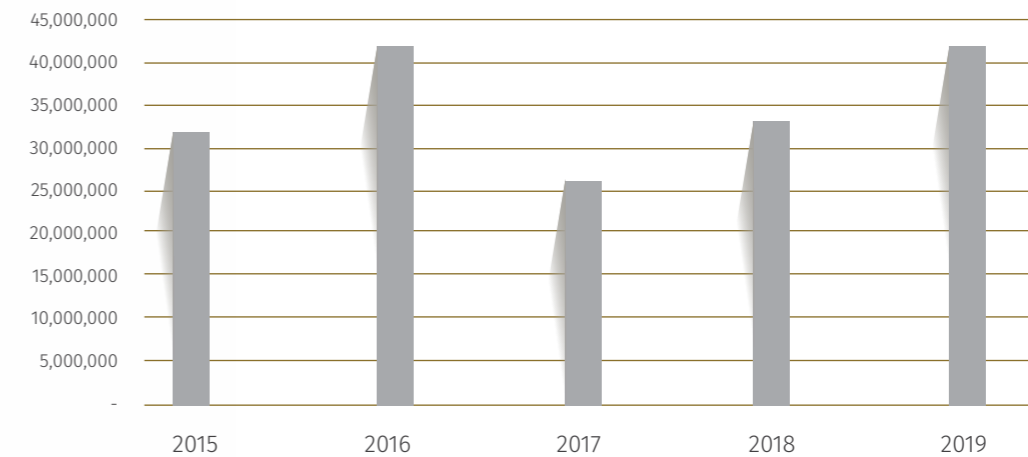


Figure 8: Card transaction values (N\$), 2015 – 2019

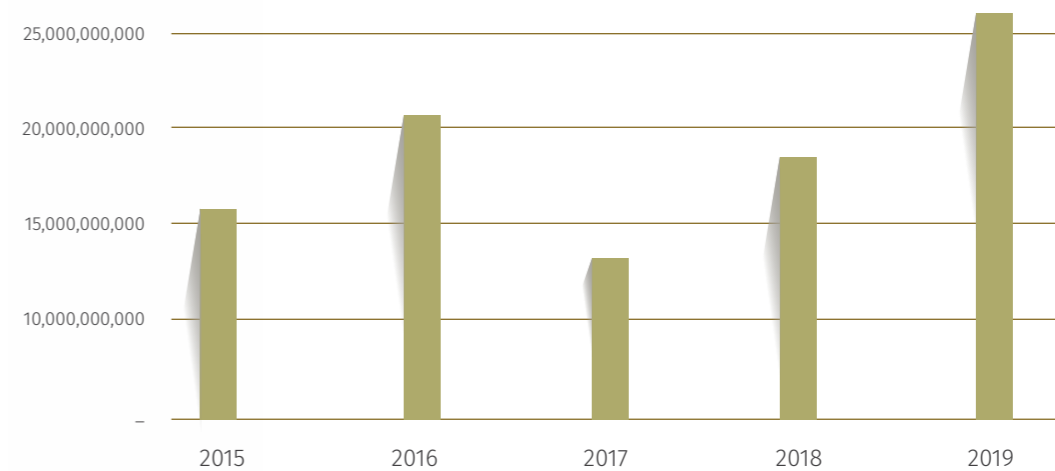
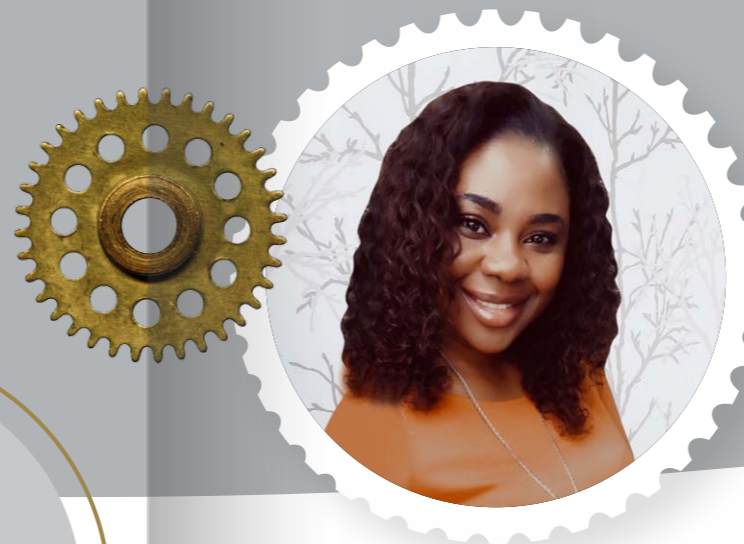


Figure 7: Card transaction volumes, 2015 – 2019

# Message from the Chairperson of the ELECTRONIC FUND TRANSFER PAYMENT CLEARING HOUSE

**Ebben Shilongo, CHAIRPERSON**



“ Testing of Cross Border Low Value EFT payments was successfully carried out and implemented within the CMA countries. We are proud to announce that all Namibian Banks are compliant. ”

The 2019 financial year was both exciting and challenging, with the payments industry experiencing several advances, but also some setbacks. During the year under review, the PCH EFT was tasked with several responsibilities and the management of various projects that will ensure that the Namibian payments industry remains efficient and compliant.

## NAMPAY

On the 4th April 2019, a new payment solution called Nampay was launched. This solution enhances the current EFT, especially the Enhanced Debit Orders (EnDo), in the NPS and also contributes to the Payment System Determination (PSD-7) by enhancing efficiencies in the NPS. The international financial message standard ISO20022 was also adopted simultaneously. More information on this development can be obtained from the PAN website.

## ENHANCED EFT CLEARING RULES

Picking up on efforts made in 2018, during the 2019 financial year, a series of workshops were held with the PCH participants in order to amend and review the Enhanced EFT rules. The ongoing Enhanced Electronic Fund Transfer (EEFT) project saw several change requests being raised by participants, which had a direct impact on the rules and had to be incorporated to ensure alignment.

## NSW

The National Single Window (NSW) was a new project initiated during the year under review. However, the project was not earmarked as a priority by the prioritization committee. The Business Requirements Document (BRD) was circulated among the EFT PCH participants. Consultations were held during the 2019 financial year with the industry and the Bank, and further deliberations will take place in 2020 to determine when the project will be rolled out.

## CMA

During the year under review, the testing of Cross Border Low Value EFT payments was successfully carried out and implemented within the CMA countries. We are proud to announce that all Namibian Banks are compliant in this regard.

## USER MANAGEMENT PROCESS

The drafting of the User Management Process is a work in progress, and its completion is envisioned during the financial year 2020.

## ELECTRONIC FUND TRANSFER (EFT) STATISTICS

During the 2019 financial year, Electronic Funds Transfers (EFT) increased by over 890,000 in total volumes (a 5% increase from 2018) and N\$ 9 million in value (a 3% increase from 2018). Nampay was launched during 2019 and a slight increase in EFT transacting (by 1% during the year under review) is believed to be a result of the launch of ISO 20022. Continued increases are projected for 2020 after EEFT is fully implemented.

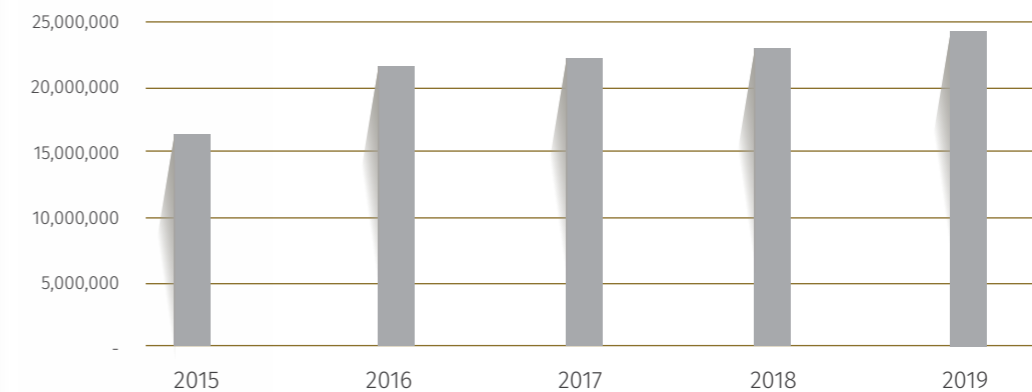


Figure 1: EFT transaction volumes, 2015-2019

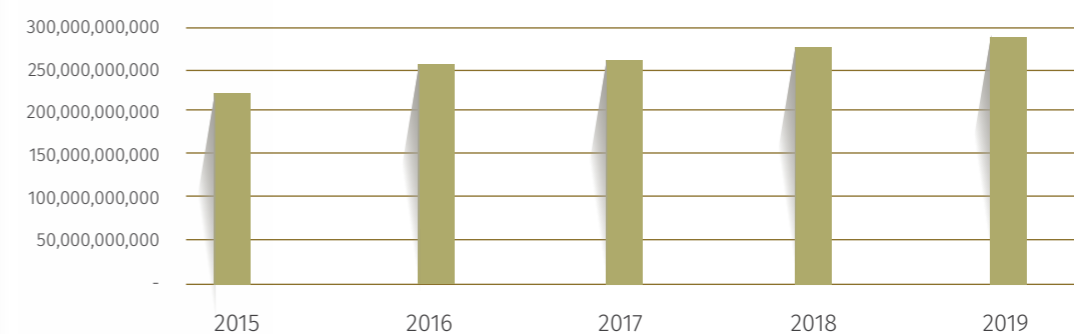


Figure 2: EFT transaction value, 2015-2019

# Message from the Chairperson of the PAPER PAYMENT CLEARING HOUSE

**Cynthia Shikongo**, CHAIRPERSON



“ The sunset date for cheque payments was the 30th June 2019 for customers or users of the paper. ”

On the 30th June 2019, the payments industry, through PAN, achieved the near impossible task of phasing out cheques as a payment stream. It was a rigorous task to convince the public, especially the older generation in the community, to shift to other payment streams, namely internet banking, cell phone banking and EFT banking.

The phasing out of cheques has lowered the level of fraud in the financial sector because most of the fraud previously conducted was through the PCH Cheque stream.

PAN plans to release a paper on the industry’s journey to achieving this great milestone in the 2nd quarter of 2020. The paper will be used as a historical and educational document that can guide other countries that wish to follow suit. It can also provide important lessons for our industry, especially in terms of the types of challenges to avoid when phasing out another stream, if required in the future.

Given the decision made and obeyed by the participants within the system to totally phase out cheques as a payment instrument in Namibia, both the volumes and values of cheque transactions dramatically reduced during the 2019 financial year. A drop in volumes by 92% to 26,979 cheque transactions, and the drop in values by 90% to N\$349,930,387, were recorded for the last time in 2019. Looking at the trend over the past five years (2015-2019), cheque usage was slowly decreasing year-on-year until it was completely phased out. Hence the Determination on the Efficiency of the National Payment System (PSD-7) was successfully complied with by the industry.

The decommissioning of cheques as a payment stream was realised without significant issues. The sunset date for cheque payments was the 30th June 2019 for customers or users of the paper instrument were all well informed and adhered to the set dates.

Figure 1 and 2 below illustrate the trend in cheque usage for the past five years and indicate that there has been a continuous drop in usage, year-on-year.

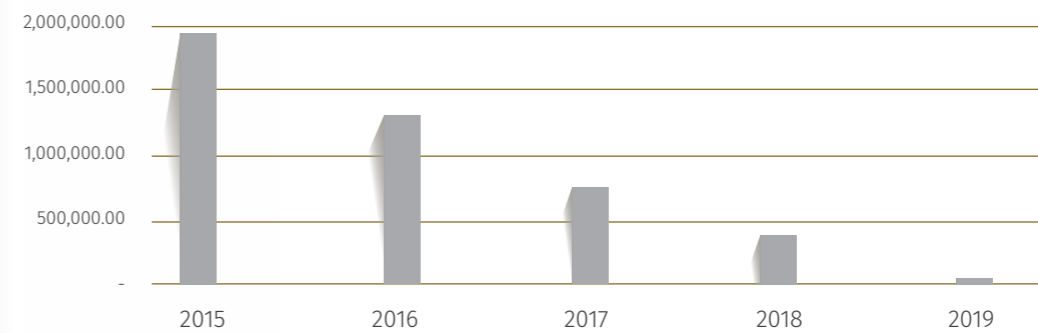


Figure 1: Cheque transaction volume, 2015 – 2019

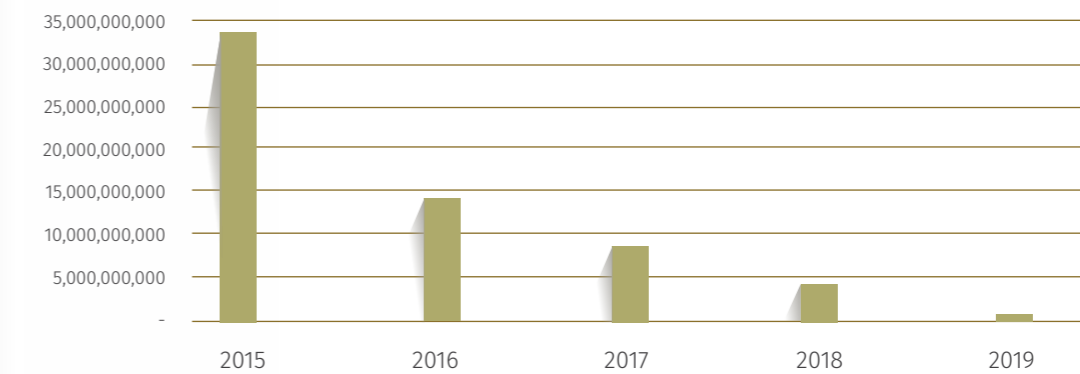


Figure 2: EFT transaction value, 2015-2019

# Message from the Chairperson of the IMMEDIATE SETTLEMENT PAYMENT CLEARING HOUSE

**Francois Botha**, CHAIRPERSON



“The data indicates that 2019 was a more productive year for NISS participants than the previous year.”

The Immediate Settlement (IS) Payment Clearing House (PCH) focused on two prominent issues during the 2019 financial year. The first issue included redefining settlement rules by defining a high value same-day settlement cut-off time of 13h00. The second was focused on various engagements in the industry to establish Straight

Through Processing (STP) for payments over the Namibia Interbank Settlement System (NISS). The STP position paper has undergone a few rounds of consultation and will be finalized in early 2020 to accomplish proficiency in the NPS.

Deliberations on the new cut-off time for high value payments are at an advanced stage in the industry and it is anticipated that the rule will be defined during Q1 of 2020.

Engagement with stakeholders of the NamPay project is ongoing and reliant on the completion of the Near Real Time Clearing (NRTC) component of the project. The PCH IS looks forward to continued positive engagement with the NamPay project team during 2020. At the end of the 2019 financial year, the direct participants included: Bank Atlântico, Bank Windhoek, Bank of Namibia, Letshego, Bank BIC, First National Bank, Nedbank and Standard Bank.

## NAMIBIA INTERBANK SETTLEMENT SYSTEM (NISS) STATISTICS

Figure 3 and 4 illustrate the volumes and values of NISS transactions for the past five financial years. NISS is a real-time gross settlement system owned and operated by the Bank of Namibia. It is a heavy-duty system through which mostly high-value transactions are processed. Generally, only the banking institutions are the participants. The data indicates that 2019 was a more productive year for NISS participants than the previous year. In terms of value, a year-on-year growth of 7% was recorded for the 2018 and 2019 financial years, whereas in terms of volume, a decrease of 9% in the 2018 financial year and a 10% improvement during 2019 were recorded.

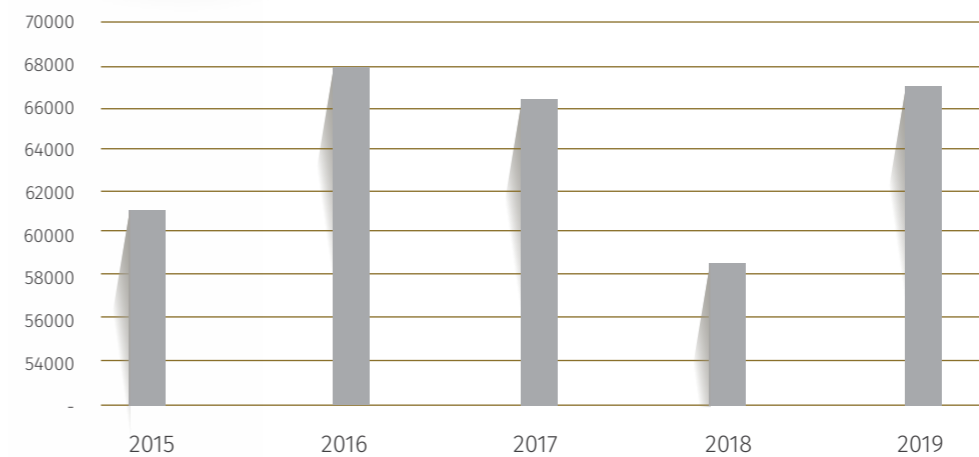


Figure 3: NISS transactions volumes, 2015-2019

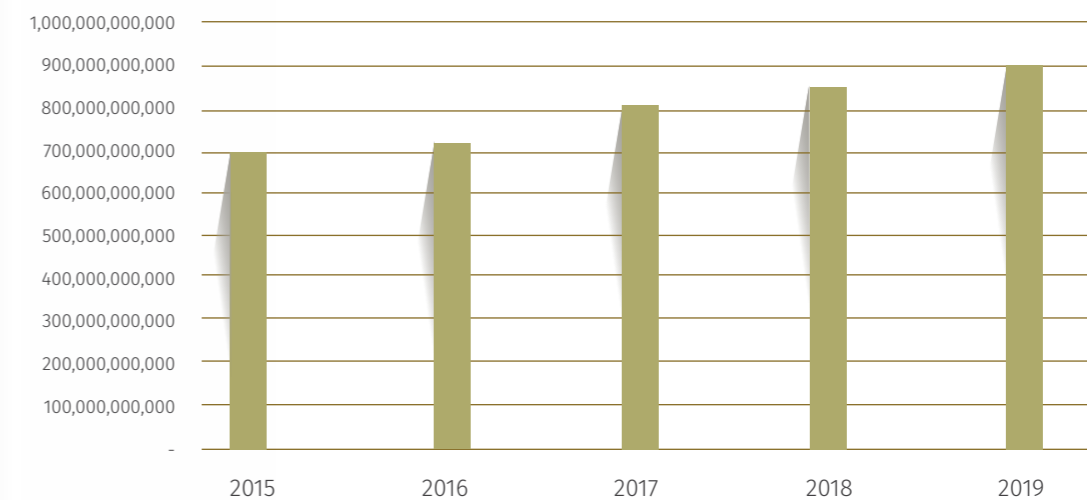


Figure 4: NISS transaction value (N\$), 2015 - 2019



## Message from the Chairperson of the FINANCIAL INSTITUTIONS FRAUD AND SECURITY COMMITTEE

**Ingrid Katjiukua, CHAIRPERSON**

The adoption of speedily changing technologies and the growth in the digital economy has been complemented by the rapid spread of fraud. Criminals are becoming more specialised and tech-savvy due to the great advances in new technologies. FIFSC is a platform for confidential discussion, networking with industry, engaging with members of the public and providing training opportunities, where relevant, for financial institutions. The aim of FIFSC is to protect, develop, promote and ensure securities integrity in the NPS and to promote awareness in order to reduce financial crimes against individuals and in financial institutions.

Thanks to funding support from the GIZ, during 2019, FIFSC managed to achieve important milestones such as the launch of fraud awareness videos and a cartoon, which were showcased to the industry in order to increase public awareness of financial crime and other security-related matters.

During the reporting year, platforms such as attending the Safety Expo and Windhoek Industrial and Agricultural Show were used to raise awareness using these videos and cartoon, amongst others. TV shows such as Good Morning Namibia were also used to add value by our communication efforts aimed at enhancing safety and security for all its stakeholders.

FIFSC was also invited by the Financial Literacy Initiative (FLI) for a public talk, during which safety and protection measures regarding different types of financial crimes were highlighted.

### **CYBERSECURITY**

Cybercrime is a serious concern. The industry is mindful of this threat and has been preparing to deal with worst case scenarios in this regard. During the year under review, the industry identified opportunities for training in order to prevent cybercrime and to resolve and investigate cases resulting from cybercrime.

### **PROMINENT FRAUD DURING 2019**

There are many types of financial fraud within the NPS, but the following were recorded as the most common scenarios during the year under review:



“ Platforms such as attending the Safety Expo and Windhoek Industrial and Agricultural Show were used to raise awareness. ”

### **IDENTITY THEFT**

Identity theft occurs when a criminal manages to obtain details other than your credit or debit card, such as stolen personal information (e.g. Name, Social Security Number etc.) to open or take over a card account in your name. The criminal can also falsify his/her identity to obtain a card and then use that fraudulent card.

### **THE BANK IMPERSONATOR SCAM**

This scam was a major concern during 2019. Bank impersonation occurs when fraudsters pretend to be banking personnel claiming to want to authenticate some information, but indirectly directing a bank official to perform a transaction without their victim's knowledge. They mostly target pensioners and vulnerable people. As this kind of scam is ongoing, banks are working hard to educate, warn and alert their customers so that they do not fall victim to such fraud.

### **CARD FRAUD**

Card fraud was high during the first 6 months of 2019, compared to the same period in the 2018 financial year. The adoption of 3-D secured standards and chip-based cards are believed to have reduced Card Not Present (CNP) fraud. Other forms of payments such as Point of Sale (PoS) and online banking are now more secure than before. On the whole, in 2019, fraud cases reduced by 64% to N\$790,000, compared to N\$2.2 Million in 2018.

### **CHEQUE FRAUD**

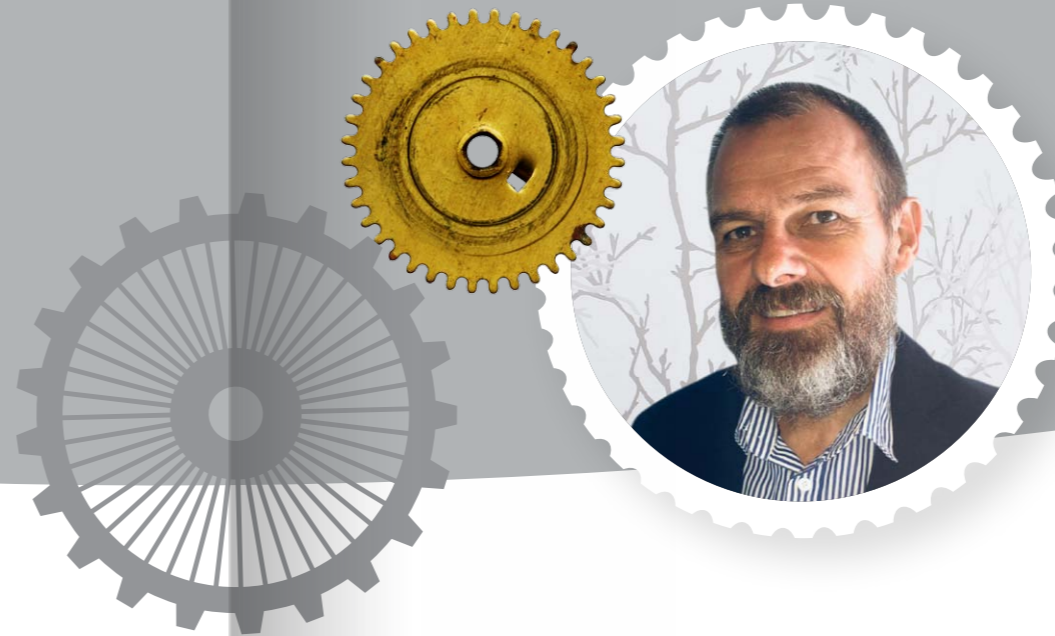
The paper method of payment was totally phased out at the end of June 2019. Accordingly, cheque fraud reduced by 35% down to N\$87,000 from N\$134,000 in the previous year.

### **EFT**

Phishing is a type of online scam where criminals send an email that appears to be from a legitimate company, and ask their victims to provide sensitive information. During 2019, five phishing transactions amounting to N\$3.3 million were recorded.

# Message from the Chairperson of the ELECTRONIC MONEY FORUM

**Paul Rowney, CHAIRPERSON**



One of the underlying mandates of the Bank and PAN is the promotion of interoperability. On August 2nd, 2018, the Bank issued a position paper on interoperability in the National Payment System – specifically in the E-money stream. It is the objective of the Bank to achieve 70% interoperability of all payment instruments by 2020, as envisioned in the NPS Vision 2020, and to ensure that full interoperability is achieved by 2025.

“Interoperability has the capability of enabling e-money users to send money between wallets and bank accounts (when both banks and non-banks integrate) of different institutions and vice versa. In this regard, interoperability has the potential of ensuring that e-money as a payment instrument operates and integrates with other payment instruments such as card and EFT, affording e-money customers different access points, options and convenience. Interoperability prevents fragmentation and can lead to a more coordinated and competitive payments ecosystem. The current rise of non-interoperable e-money schemes restrict consumer choice, as they are either forced to receive funds using an institution chosen by the sender or institutions with limited availability.”

(BoN Position Paper on Interoperability in the National Payment System 2nd August 2018.)

Due to the outcome of the Bank’s position, PAN was prompted to invite all the bright minds in the payments industry to collaborate by forming a working group which would set rules governing the operations of the new E-Money PCH.

Steady progress was achieved by the interim E-Money PCH working group, which came to some consensus on what interoperability might mean for participants and finalised the constitution. The working group is currently in the process of creating a high-level architectural overview of E-Money interoperability and working on the rules and specifications for E-Money. Once the constitution has been signed off by the PAN management council, the PCH will be formally constituted.

## PARTICIPATION

In 2018, the Bank of Namibia (BON) mandated the Payments Association of Namibia (PAN) to engage the industry on the interoperability of E-Money and to seek consensus amongst participants on applicable rules and guidelines. It is the expectation of BON that interoperability via all streams will be fully realized by 2025, with an initial checkpoint in 2020.

PAN has since engaged relevant stakeholders and explored options such as deriving E-Money interoperability through one of the existing PCHs or establishing a standalone PCH. It has been determined that E-Money interoperability can best be addressed via a new PCH consisting of the appropriate stakeholders: the Banks, Non-Bank Financial Institutions (NBFIs), authorized E-Money operators, and licensed Payment Service Providers. We expect the current E-Money Working Group to be transformed into a fully-fledged PCH after the Annual General Meeting has given the necessary approval.

“ It is the objective of the Bank to achieve 70% interoperability of all payment instruments by 2020, as envisioned in the NPS Vision 2020. ”

# Message from the Chairperson of the PAN STAKEHOLDER FORUM

**Pieter Swanepoel**, CHAIRPERSON

The year under review was marked by a rapidly changing environment both locally and globally, with the payments industry seeing increased participation from more payment service providers and fin-tech providers. Within this context, the PSF continued its focus on achieving its core aim, which is to promote inclusiveness and access to the national payment system (NPS). Through the Forum, non-bank institutions had the opportunity to contribute towards the NPS Strategy (Vision) and the efficiency and safety of the NPS by participating in operational and strategic initiatives undertaken in the NPS.

The purpose of the PSF is to provide a discussion forum to foster and facilitate collaboration between PSF stakeholders in the NPS. The PSF deliberates on the future direction of public policy on payments, focusing on ways to promote innovation and system evolution over the long term, while ensuring healthy competition.

## GOVERNANCE

In the past year, the PSF changed its Terms of Reference (ToR) and accepted and implemented the PSF constitution. This process ensured alignment with governance requirements within the broader NPS and as applied to Participant Clearing Houses (PCH's). The PSF is focused on member participation to ensure informed and aligned participation in the broader NPS structures. During the year under review, all members remained aligned with their constitutional obligations and member resolutions. Quarterly member meetings were well attended and recorded; and the PSF kept the PAN Management Council (PMC) informed of its activities, with quarterly PSF activity reports submitted to the PMC.

An important highlight for the PSF during this year was the decision by the PMC to include the PSF in the PAN PCH structures. The PSF nominated its main and alternate members to represent the PSF in these structures.

## PSF MEMBERSHIP

During the 2019 financial year, the PSF's membership increased to a total of 12 non-bank members. The PSF is not restricted solely to payments service providers. It also includes industry associations representing industries where payments instruments are key enablers of their business models.



“The payments industry was seeing increased participation from more payment service providers and fin-tech providers.”

The PSF continued to liaise with industries and payments participants in order to promote inclusiveness and access to the NPS. The PSF is supportive of the new structures which have been established, which reflect the evolution of the NPS and continued innovation. To this end, PSF members are represented in the PAN e-Money Work Group. This has also resulted in new members joining the PSF, particularly in the innovative fields of mobile and e-commerce.

## ENHANCED ELECTRONIC FUNDS TRANSFER (EEFT) PROJECT (PSD-7)

The Enhanced EFT project (“Enhancement of the Electronic Debit Order System” as per PSD 7) remains a high priority of the PSF, given the dependency of its stakeholders on the new payment stream. In particular, phase one of the Enhanced Debit Order System (EnDO) project roll out remains highly anticipated by its stakeholders. The PSF continues to participate in the Enhanced EFT Steering Committee. Members participating in Phase 1 of the Enhanced EFT Production Pilot (EnDO) project liaise directly with their Sponsor Banks and are encouraged to align their supplier/vendor code registrations, migration planning and timeline updates with their Sponsor Banks.

## INDUSTRY CONTACT

The PSF maintained contact with the industry in an effort to ensure that non-bank stakeholders were updated on their role and on NPS initiatives. The focus remains on raising awareness about the PSF and its function as a non-bank representative forum, and on increasing the participation of payment service providers. In addition, the status of the Enhanced EFT project is shared at industry forums.

## NPS VISION 2020

The PSF continues to pursue the strategic themes and objectives of the NPS Vision 2020. During the year under review, the Forum participated in the review process of Vision 2020 considering each of the strategic themes and the actions it is implementing in support of achieving the goals.

Actions continued by PSF members in support of achieving the Vision 2020 objectives included, amongst others:

- PSF members enabling systems to carry Abbreviated Short Names (ASN) for payments providers per the EEFT project; and
- PSF member organisations supporting and completing the PAN Payments Course, and thereby upskilling non-bank employees in the workings of the payments industry.

### PSF STRATEGIC FOCUSSES

The strategic direction of the PSF is steered by the goals envisioned in Vision 2020.

In the short term, the PSF is focused on the transition to Enhanced EFT (where business origination continues uninterrupted) and particularly EnDO, as a means to achieving PSD-7. The PSF's stakeholders are dependent on the electronic solutions underpinned by well-functioning payments streams. This transition will, therefore, require substantial input from non-bank payments participants, who are represented by the Forum.

The safety and efficiency of the NPS requires PSF members to maintain their focus on market conduct requirements and maintaining regulatory compliance levels at all times. In particular, achieving compliance with the rules, requirements and objectives of the Enhanced EFT and EnDO remains a prerequisite for continued participation in the NPS. The industry's drive to implement Abbreviated Short Names for purposes of identifying transactions is supported by the PSF.

In the longer term, the PSF's strategic focus includes enhancing its recognition in the NPS through broader consultation and contribution to the industry.

### CONCLUSION

The inclusion of the PSF in the structures of the NPS has been an important motivation to continue contributing to the evolution of the NPS. The input and contributions of the PSF strengthen the NPS and promote innovation. This inclusion is exceptionally relevant in our rapidly changing payments industry; and the PSF remains committed to making meaningful contributions wherever it is represented in the NPS structures.

## Message from a Member of the SADC BANKING ASSOCIATION PAYMENT SCHEME MANAGEMENT BODY

Annette Rathenam



The SADC Payment System Management Body (PSMB) was active during the past year with a membership of fourteen (14) countries. The Body reports to the SADC PSOC on a regular basis on issues pertaining to the regulatory, operational and technical natures of the SADC Real Time Gross Settlement (RTGS) high value stream. During the year under review, the Body did not receive any new Regional Clearing House Operator (RCHO) applications.

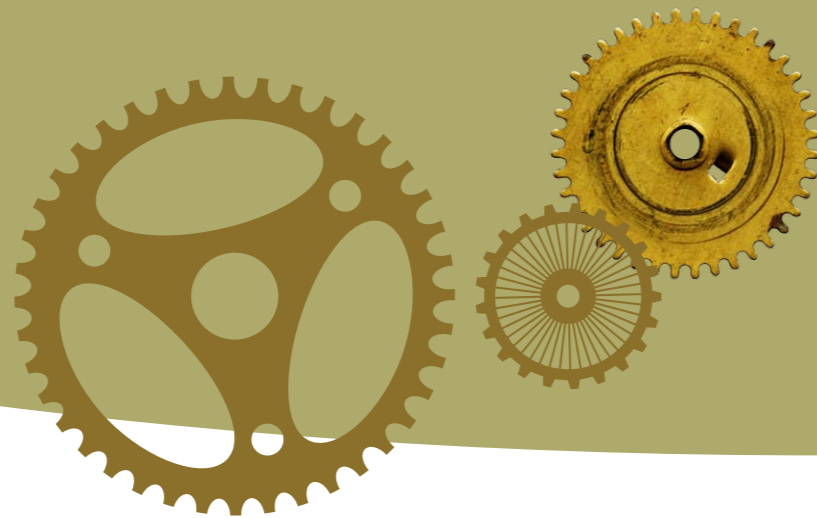
During the 2019 financial year, the CMA Mutual Evaluation Interim Solution project was finalised. This project is part of the regularisation of some parts of the FAFT 16 requirements and was implemented by 31st October 2019.

A second CMA project is in progress and is related to the Amendment Notice No.1 of 2019 on the Directive for the Regularisation of Clearing and Settlement of Cross-border Low Value Credit Electronic Funds Transfers Transactions within the CMA, Directive No. 01 of 2018. This project may lead to transactions being cleared and settled in the SADC Clearing and Settlement Systems. During the reporting year, this process was still under discussion by the individual countries, and CMA collaboration is needed to ensure that a single solution is planned and rolled out across the CMA countries.

The SADC PSOC requires that each country establish an in-country SADC Real Time Gross Settlement User Group. In this regard, the PSMB issued a template to each country to report on the in-country activities taking place on both the technical and operational fronts. A User Group meeting took place from the 1st to 3rd October 2019 in Luanda, Angola, during which a number of technical and operational issues that were being monitored in-country were raised. In order to align the in-country matters with regional feedback, the said templates are completed and submitted to the PSMB.

The work of the PSMB continues to evolve as new solutions are developed for the SADC region. Regional integration is in progress and collaboration with the individual countries has proven to be successful, ensuring that in-country regulatory requirements were adhered to and were reported to the PSMB.

# GLOSSARY



**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** - 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.

**Credit card** - A card that grants its holder a credit line, enabling him/her to make purchases and/or withdraw cash up to a prearranged limit.

**Cross-border transaction** - A transaction where at least one of the parties is located outside the home country from which the transaction originates.

**Debit card** - A card usually used for non-recurring EFT POS transactions to effect payment to a vendor with an immediate debit to the cardholder's account. The debit card also performs other services, including ATM cash withdrawals.

**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.

**EFT PCH** - A Payment Clearing House arrangement for EFT payment transactions.

**EMV Standard** - This standard, initially devised by Europay, Mastercard and Visa, is a specification to ensure the security and global interoperability of chip-based payment cards.

**Entry criteria** - Criteria laid down by PAN, in consultation with the Bank of Namibia, for participating in a certain stream of payment transactions.

**Item limit** - The maximum value for which a cheque can be legally issued, processed and cleared within the NPS.

**Namclear** - The company authorised by PAN to provide clearing services in Namibia, and which operates as a Payment System Service Provider as defined in the Payment System Management Act, 2003 (No. 18 of 2003).

**Namibia Inter-bank Settlement System (NISS)** - A system facilitating the settlement of all domestic transactions in Namibia Dollars at the Bank of Namibia.

**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.

**Paper PCH** - A PCH arrangement for cheque payment transactions or other paper bill payments.

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

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

**Payment clearing house (PCH)** - An arrangement between two or more system participants governing the clearing of payment instructions between those system participants.

**PCH Participating Group** - A group governing the affairs of the participants in one or more PCHs and constituted by PAN.

**Point-of-sale (PoS) terminal** - An attended access device located in or at a merchant's premises, in agreement with a banking institution or system participant, that permits a cardholder to initiate and effect a transaction for the purchase of products or services sold by such merchant with a card.





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