



ANNUAL REPORT 2018



PAYMENTS ASSOCIATION OF NAMIBIA





PAN Purpose

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



PAN Vision

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



PAN Mission

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

CORE VALUES

COLLABORATION

We embrace stakeholder unity to achieve synergy on the journey of achieving our Vision.

INTEGRITY

We uphold sound business ethics that safeguard the interests of stakeholders at all times.

RESPECT

We value and treasure the contribution of people from all walks of life.

TRANSPARENCY

We share relevant information freely and accept responsibility for our actions.

FAIRNESS

We are consistent in our application of policies, procedures, regulations and rules.

INNOVATION

We are proactive in sourcing ideas and solutions that propel the National Payment System forward.

EXCELLENCE

We are in pursuit of perfection in everything that we do.

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Management Council



Dr Koos Keyser | CHAIRPERSON



Annette Rathenam | CHIEF OPERATING OFFICER



Chris Diemer



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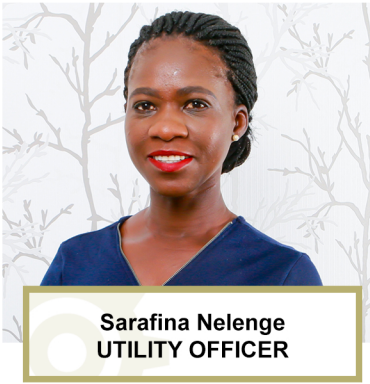
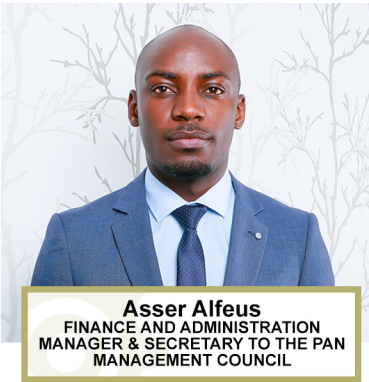


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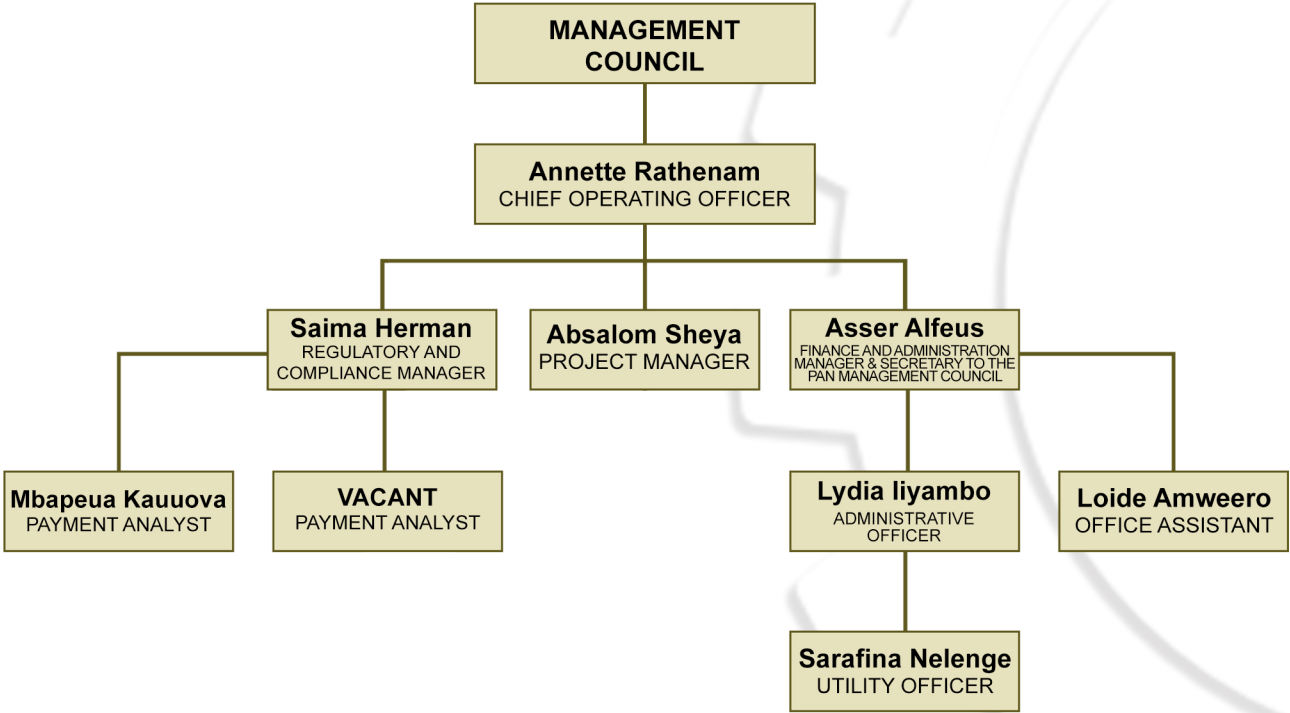


O'Rute Uandara

Executive Office



Organogram



List of abbreviations

ATM	Automated Teller Machine
CMA	Common Monetary Area
CPOC	Cross-border Payment Oversight Committee
EFT	Electronic Fund Transfer
EMV	Europay, Mastercard and Visa
EnCr	Enhanced Credit
EnDO	Enhanced Debit Order
ID	Identity Document
ISO	International Organization for Standardization
NISS	Namibia Inter-bank Settlement System
NPS	National Payment System
NRTC	Near-real-time Credit
PAN	Payments Association of Namibia
PCH	Payment Clearing House
PCI DSS	Payment Card Industry Data Security Standard
PIN	Personal Identification Number
POS	Point-of-sale
PSD	Payment System Determination
PSD-7	Payment System Determination on Efficiency within the National Payment System
PSF	PAN Stakeholder Forum
PSMB	Payment Scheme Management Body
S1	First Semester (January to June)
S2	Second Semester (July to December)
SADC	Southern African Development Community
SWIFT	Society for Worldwide Interbank Financial Telecommunication

Chairperson's Message

Looking back at 2018, I am proud to report the progress made to date regarding the three broad strategic objectives of our Vision 2020, namely enhancing stakeholder synergies, the integrity of the National Payment System (NPS), and our skills capacity. I remain very encouraged by the commitment demonstrated by all stakeholders to execute our mandate.

Under the theme Stakeholder Synergies, the objective was to promote and manage stakeholder collaboration as well as to promote financial inclusion and accessibility.

During the financial year under review, PAN rolled out its new Project Management Framework to assist the industry not only in its approach to systemic planning, but also in organising competing industry participants that need to collaborate on industry projects. Furthermore, the Framework enables shared industry resources to be controlled so that project objectives and outcomes can be attained successfully.



Dr Koos Keyser | CHAIRPERSON

The principal objectives under the theme NPS Integrity involved improving access to the NPS, its interoperability and its standards, as well as enhancing the system's infrastructure, safety, security and cost-effectiveness. At the same time, the theme included focusing on refining the Payment Association of Namibia (PAN) governance model. In this regard, our implementation of the International Organization for Standardization (ISO) 20022, which regulates the international interchange of electronic data between financial institutions, progressed well. Thanks to ISO 20022, customers of financial institutions now have access to an interoperable service that delivers three types of payment methods, including payment instructions and settlement, which constitutes: Enhanced Debit Order (EnDO), Enhanced Credit (EnCr), and Near-real-time Credit (NRTC). Namibia currently leads the African continent in the implementation of ISO 20022.

The NPS Integrity theme also covered the phasing out of the cheque stream by 30 June 2019. This critical development will move Namibia closer to its vision to digitisation and modernisation of its national payment system using non-paper-based payment instruments only, following the example set by the Southern African Development Community (SADC), which phased out cheques during 2017.

The development of our skills capacity was ordered under the theme NPS Human Capital. In this regard, we achieved some traction on the governance structure and funding model, but further

deliberation with industry participants will be needed during the 2019 financial year. Because this topic specifically impacts our human capital resources, we are mindful that a long-term view will be the most effective in realising our objectives.

For their support in driving the NPS Vision 2020 strategic objectives during the reporting year, I wish to thank my fellow Council members.

Also, on behalf of the Management Council, I would like to express our gratitude to the PAN Executive Office for their contributions towards achieving these milestones.

And finally, I extend my sincere appreciation to the Bank of Namibia, the various banking institutions and service providers, and the PAN Stakeholder Forum for their collaboration and support in ensuring the safe, secure, efficient and cost-effective operation of Namibia's NPS.

Koos Keyser

CHAIRPERSON OF THE MANAGEMENT COUNCIL

Chief Operating Officer's review



Annette Rathenam
CHIEF OPERATING OFFICER

During the financial year under review, the strategic focus was to set the stage not only to increase the range of payment instruments in the industry, but also to ensure that they were interoperable across all participants. One of the highlights during the reporting year in this regard was that the Enhanced Electronic Fund Transfer (EFT) Project was close to implementation, while the industry would soon be able to offer the Namibian public the Enhanced Debit Order (EnDO), Enhanced Credit (EnCr), Near-real-time Credit (NRTC) payment instruments. Furthermore, e-money instrument rules are being developed.

Our capacity-building initiatives across the industry continued in the 2018 financial year, garnering participation from project managers, business analysts, business developers, test teams, steering committee representatives, payment clearing house agents, and PAN Management Council members in various general and specialised areas of the Enhanced EFT Project. After a phenomenal effort in respect of training hours, we feel confident that both the project team and the team

handling the business process have been upskilled sufficiently to ensure that the closing of the project and the implementation of the new solution will be bed down excellently. Our industry has demonstrated not only an appetite for learning new skills, while eliminating manual processes, but also to embrace innovation and change management. This philosophy of continuous development will be taken forward in 2019 as part of our work in the Innovation, Technology and Design Forum, among other things, so that skills transfers can take place on the broadest scale possible.

The prioritisation of national and cross-border projects required the Prioritisation Committee to revisit certain features of the prioritisation process to ensure that a specific project's technical and strategic aspects gave due consideration to its anticipated timeline, complexity and efficiency.

During the reporting period, our industry was also involved with card, cheque, e-money and EFT payment instrument projects. Despite resource constraints, the industry landed three projects within the industry, running these projects in parallel. Two of these concerned card-issuing, and one dealt with existing EFT system to ensure that new banking institutions were on boarded and enabled in the payment system. The payment industry remains positive that it will land additional projects across multiple disciplines in 2019.

Our collaboration with the Common Monetary Area (CMA) Steering Committee as well as the Bankers' Associations of Eswatini, Lesotho and South Africa, the SADC Bankers' Association Secretariat,

and the regional clearing and settlement service operator SADC RTGS (SADC Integrated Regional Electronic Settlement System), we fruitfully pursued compliance with the CMA Low-value EFT Credits Project to regularise such transactions within the CMA. We are extremely grateful to our counterparts for their support, good wishes, continued efforts and input in respect of this vital initiative.

I also wish to thank the PAN Management Council and the Bank of Namibia and the PAN members for their continued support and leadership during the reporting period.

In addition, my gratitude is extended to the Executive Office team who, with dedication and commitment, ensures that we serve the industry and the NPS as a collective, with all our stakeholders, nationally and within the CMA.

Annette Rathenam
CHIEF OPERATING OFFICER



Compliance highlights



Saima Herman |
REGULATORY AND
COMPLIANCE MANAGER

While the payment ecosystem elsewhere in the world developed rapidly during 2018, Namibia's industry did so at a slower pace. Global innovation has propelled advances in fintech, blockchain technology, cybersecurity and real-time payments. Because of this shifting financial landscape, the payment world we know in Namibia today may not be recognisable in a decade's time.

These rapid changes have disrupted the service models for traditional providers, forcing them to explore a diverse range of new avenues to safeguard financial and other data. In this regard, much work is still needed to develop Namibia's cybersecurity legislation. Therefore, the reporting year saw PAN focus on educating the public about local and international trends in respect of combatting cybercrime. One such initiative was a vibrant anti-fraud awareness campaign made possible with the support of Germany's development assistance arm, the Gesellschaft für Internationale Zusammenarbeit (GIZ).

Regarding efficiency within the payment streams, PAN issued a public notice stating that cheques would be phased out by 30 June 2019. A high level of engagement and collaboration with the public, the Bankers' Association of Namibia and the Ministry of Justice ensured that legislation and administration in general can accommodate this important change to the payment environment.

A highlight during the reporting period for payment service providers was the Ministry of Finance's declaration on 1 February 2018 that service providers registered in terms of section 3(6) of the Payment System Management Act, 2003 (Act No.18 of 2003) as amended would be exempt from the provisions of section 7(1) therein. Accordingly, on 3rd March 2018, the Bank of Namibia published its Guidelines for Payment Intermediation Service Providers in the National Payment System of Namibia. These guidelines define the conditions under which such services can be offered. To bring its own regulations in line with the new legislation, PAN began working on revising its NPS entry and participation criteria during the reporting year. The revised criteria are due to be launched in the first quarter of 2019. All new as well as existing NPS participants will be required to comply with the revised criteria.

By the end of the financial year, our thriving network included 10 payment system participants and 12 registered service providers, as illustrated in Tables 1 and 2.

Table 1: Fully and provisionally 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 Namibia	Full member
6	Letshego Bank Namibia	Full member
7	NamPost	Provisional member
8	Nedbank Namibia	Full member
9	Standard Bank Namibia	Full member
10	Trustco Bank Namibia	Full member

Table 2: Payment system service providers fully registered with *PAN*

No.	Name of service provider	Type of service provider	Registration status
1	ATM Solutions	System Operator (Automated teller machine deployment services)	Fully registered
2	EasyPay	System Operator (specific switching services to various retailers in Namibia)	Fully registered
3	eCentric Payment Systems Namibia (Pty) Ltd	System Operator (Card-acquiring services)	Fully registered
4	Fidel Ipumbu Mobile Technology (Mobitek)	System Operator (Chip-and-PIN card payment solution)	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	Namibia Payments Solutions (Pty) Ltd	System Operator (E-commerce and integrated point-of-sale payment processing services)	Fully registered
9	PayMate	Paying/collecting Facilitator (Collecting facilitator – Cards)	Fully registered
10	RealPay	Paying/collecting Facilitator (Collecting facilitator – EFTs)	Fully registered
11	SmartSwitch	System Operator (Transaction-switching services to Namibia Post Limited)	Fully registered
12	Virtual Card Services	System Operator (E-commerce for card-based services)	Fully registered

During the 2018 financial year, PAN continued to pursue its vision to guard the safety and reliability of the NPS as a world-class payment system and to meet domestic, regional and international payment system requirements through its Vision 2020 (see www.pan.org.na).

To this end, besides attending annual trade fairs and offering public education activities there, PAN also held a two-day anti-fraud training workshop for the Namibian Police in partnership with Sysnet Global Solutions. The topics covered were as follows:

- The Payment Card Industry Data Security Standard (PCI DSS)
- Cybercrime from an investigator’s perspective, i.e. what occurred, and how it occurred
- Different types of card fraud
- Merchant fraud
- Collecting evidence in respect of card fraud and merchant fraud, and
- How to open cases involving card fraud and merchant fraud under the Payment System Management Act, 2003 (Act No.18 of 2003) as amended.

PAN is committed to keeping all Namibians informed about payment-related matters. In so doing, we strive to improve the public’s understanding of how payments support and shape the economy.

Our efforts during the reporting year yielded the following milestones, as summarised in Table 3.

Table 3: Regulatory and compliance highlights, 2018 financial year

Regulatory/compliance factor	Progress highlight
Payment System Determination (PSD-3) on Issuing of Electronic Money in Namibia	In terms of section 14 of the Payments System Management Act, the Bank of Namibia issued General Notice No. 667 of 16 November 2018 to repeal and replace the PSD-3 published on 28 March 2012 via General Notice No. 4909.
Payment System Determination (PSD-4) on Conduct of Card Transactions within the National Payment System	By 30 June, all system participants who issues fleet cards reported compliance with PSD-4.
Payment System Determination (PSD-7) on Efficiency within the National Payment System	PSD-7, issued on 3 December 2013, provides the principles and guidelines for assessing the NPS's efficiency. During the reporting year, the Bank of Namibia extended the deadline for compliance with this PSD beyond 30 June 2018 to 31 st August 2019.
NPS Vision 2020	The Bank of Namibia and PAN collaborated to produce a questionnaire on the NPS Vision 2020 to provide the payment industry with an opportunity not only to share their experience and concerns thus far to help shape the NPS, but also to track our progress with the NPS Vision and Strategy and offer insights into how to get the industry to where it wants to be in the most effective way. The survey findings highlighted that, by the end of 2017, 29% of the set strategic measures were either on-target or progressing towards the target, while the remaining 71% were off-target. Nonetheless, it was also found that the industry was making progress overall.
EMV Standard and PCI DSS compliance	PAN members are obliged to comply with the EMV Standard originally set up by Europay, Mastercard and Visa for cards based on chips and a personal identification number (PIN) as well as with the Payment Card Industry Data Security Standard (PCI DSS). During the reporting year, all banking institutions reported EMV compliance in respect of issuing and acquiring chip-and-PIN cards. Progress was also brisk in respect of the PCI DSS, with full compliance anticipated by 31 December 2019.
Registration of service providers	During 2017, PAN became aware that some service providers were still operating without being licensed. They were encouraged to register with PAN since any unregistered service provider found operating will be penalised. PAN is not aware of unregistered service providers in the industry. PAN will publish the new Entry and Participation Criteria during 2019 with which all service providers will be required to conform.
Phasing out of cheques	A public notice issued on 14 December 2018 stated that cheques would be phased out by 30 June 2019. The public were urged to contact their financial institutions for an alternative to cheques as a method of payment.

Saima Herman
REGULATORY AND COMPLIANCE MANAGER

Projects highlights



Absalom Sheya
PROJECT MANAGER

At the top of the NPS core values is collaboration. The notion is elaborated by the statement “We embrace stakeholder unity to achieve synergy on the journey of achieving our Vision”. In this regard, the reporting year presented another opportunity for collaboration in the payment industry. PAN and its stakeholders worked together on various fronts, including on the Enhanced EFT Project, the CMA Low-value EFT Credits Project, and the card issuing project for Bank BIC Namibia and NamPost. Furthermore, during the reporting year, PAN’s Project Management Office finalised the NPS Project Management Framework to guide collaboration on payment industry projects. The revised Framework was subsequently approved by the PAN Management Council, endorsed by the Bank of Namibia, and rolled out across the industry.

The Framework was developed to respond to the NPS Vision 2020’s strategic initiative to ensure that 95% of industry projects are completed on time and on budget by 2020. The Framework also complies with the Payment System Management Act, 2003 (Act No.18 of 2003) as amended and supports its underlying determinations, directives and guidelines.

Effectively, the Framework guides NPS projects approved by PAN’s Prioritisation Committee that require industry collaboration, e.g. in carrying out industry testing, or in developing specifications, standards or other forms of regulated operation that enhance the NPS’s functionality and interoperability. Such collaborative projects could be driven by the industry in general or by individual participants.

To ensure the Framework aligned with international best practice, we consulted one of the world’s best resources in the field, namely the United States-based Project Management Institute’s Project Management Body of Knowledge (PMBOK®) Guide and Standards. Using this product as a template, we tailored the Framework to respond uniquely to the needs associated with maintaining and developing Namibia’s NPS.

The period under review also saw the industry continue its collaboration on the Enhanced EFT Project, which will deliver EnDO, EnCr and NRTC systems for all the banks as well as for Namibia’s automated clearing house, Namclear. The aim of the Enhanced EFT Project is to ensure full compliance with the Bank of Namibia’s PSD-7 on efficiency within the NPS.

Due to defects picked up in testing and the prolonged time spend in non-functional volume testing, the Enhanced EFT Project could not be completed by October 2018 as planned the year before. Nonetheless, some successes could be recorded. These included getting three new banks fully on board with respect to EFT payments, namely Atlántico Namibia, Bank BIC Namibia and Trustco Bank Namibia. Another milestone was piloting the Project’s EnDO phase once user acceptance testing had been

completed. Other progress entailed launching system integration testing for EnCr and NRTC.

Based on the revised plan, it is anticipated that the Enhanced EFT Project will now be completed by August 2019. Project participants have signed off on meeting the project extension costs for the required period of extension, namely from November 2018 to August 2019. To mitigate any further escalation of costs due to project extensions, PAN has been negotiating with vendors to adopt a milestone-based payment approach. These consultations were at an advanced stage by the end of the 2018 reporting period.

A dispensation for complying with the Bank of Namibia’s PSD-7 was requested and granted by the Bank of Namibia. Accordingly, the industry is now expected to comply with the Directive by August 2020, i.e. they need to have migrated fully from the existing to the enhanced EFT system.

In respect of the Bank BIC Namibia card-issuing project, part of the process entailed testing user acceptance of a domestic VISA card that routes through Namclear. As the card issuer, Bank BIC Namibia applied the test at all card-acquiring banks, namely Bank Windhoek, Nedbank, First National Bank Namibia and Standard Bank Namibia. The Bank BIC Namibia project made history by successfully testing the first interoperable domestic card in Namibia. Moreover, it missed the planned completion date by only 19 days.

The NamPost card-issuing project also made history: for the first time ever, a payment industry project was completed ahead of schedule. This type of efficiency is in keeping with the ethos of the NPS Vision 2020.

The year under review also saw the industry launch the CMA Low-value EFT Credits Project to comply with a CMA Cross-border Payments Oversight Committee (CPOC) Directive to regularise such transactions within the CMA. Currently, EFT credit payments are treated either as on-us (transactions send between similar banking institutions) or as domestic South African transactions. The Project was then included in the Prioritisation Committee’s scope, after which a Steering Committee was created, and Project Managers were assigned various functions.

Absalom Sheya
PROJECT MANAGER

The National Payment System in detail

The Namibia Inter-bank Settlement System

The NISS is a real-time gross settlement system owned and operated by the Bank of Namibia. Time-critical payments are processed and settled by the NISS in accordance with the principles of finality and irrevocability. Thus, once a transaction has been settled by the NISS, it cannot be undone because it will also have been settled across the relevant NISS participant’s books at the Bank of Namibia.

The NISS also settles retail payment transactions from Namclear.

In the financial year under review, the total volume of transactions settled through the NISS decreased by 10%, namely from 65,981 transactions in 2017 to 60,189 in 2018 (Figure 1). This can be attributed from the removal of SME banks volumes in the system. The total value of transactions settled increased by 7% between the same two periods, i.e. from \$852 billion in 2017 to N\$913 billion for 2018 (Figure 2).

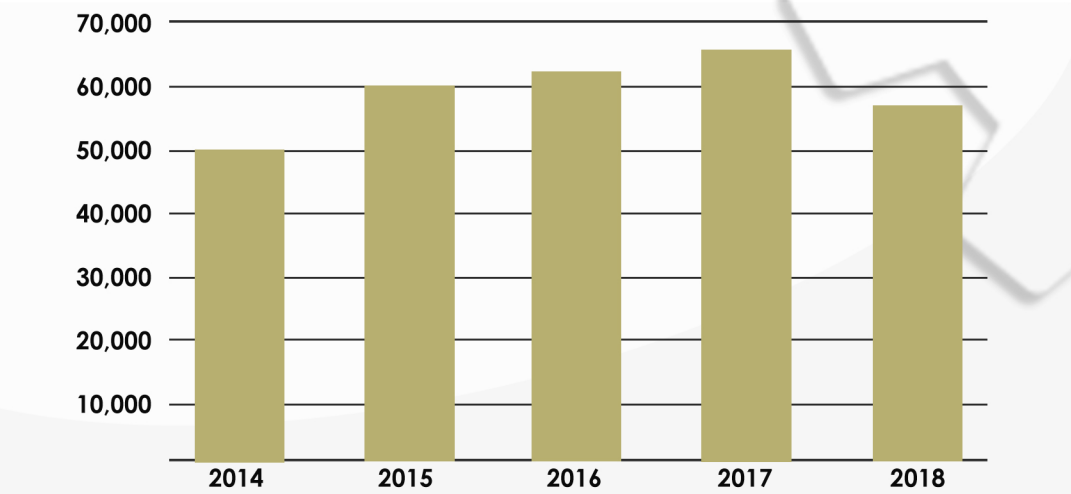


Figure 1: NISS transactions volumes, 2014–2018

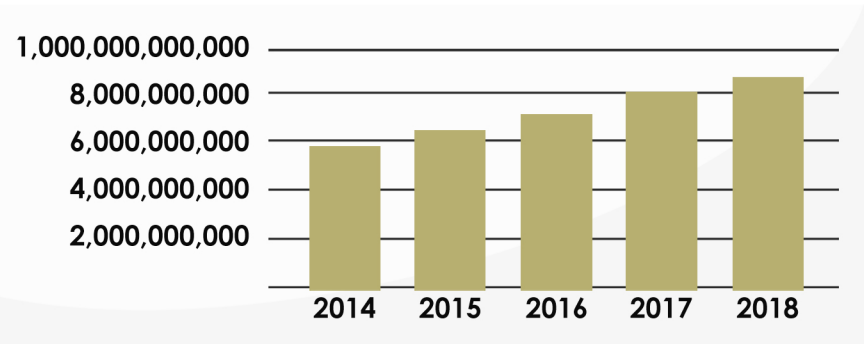


Figure 1: NISS transactions values, 2014–2018

Cheque Payments

As part of complying with the Bank of Namibia’s PSD-7 on efficiency within the NPS, all stakeholders have committed themselves to the total phasing out of cheques as a payment instrument in Namibia. Accordingly, clients were given the deadline of 1 February 2019 as being the last day on which they would be permitted to issue cheques and, as from 30 June 2019, cheques will be phased out completely. To support the total phasing out of this payment instrument, the Bank of Namibia has been collaborating with the Ministry of Justice to take the necessary steps to amend legislation. Meanwhile, entities that are required by law to process or accept payments only via cheques have been given due dispensation by their respective banking institutions until the amended legislation comes into force.

In the 2018 financial year, Namclear processed and cleared 0.3 million cheques (2017: 0.7 million) with a total value of N\$3.3 billion (2017: N\$6.7 billion) (see Figures 3 and 4). Compared with 2017, the 2018 volumes and values declined by 57% and 51%, respectively. For the remaining duration of their validity, cheque volumes and values are expected to decline even more sharply prior to their final phasing out.

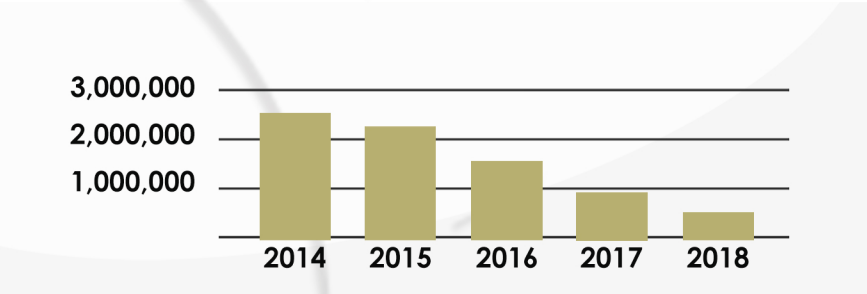


Figure 3: Cheque transaction volumes, 2014–2018

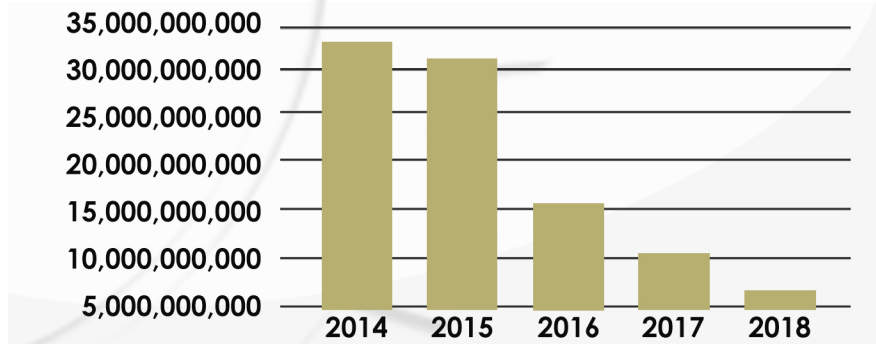


Figure 4: Cheque transaction values (N\$), 2014–2018

Electronic Fund Transfers

EFTs increased by 6% in volume (Figure 5) and by 4% in value (Figure 6) during the review period in comparison with 2017. The increases were mainly due to the migration from paper payment methods to electronic ones, which migration was brought about by the industry’s decision to phase out cheques. We predict greater volumes and higher values after the envisaged implementation of the Enhanced EFT Project on 1 September 2019.

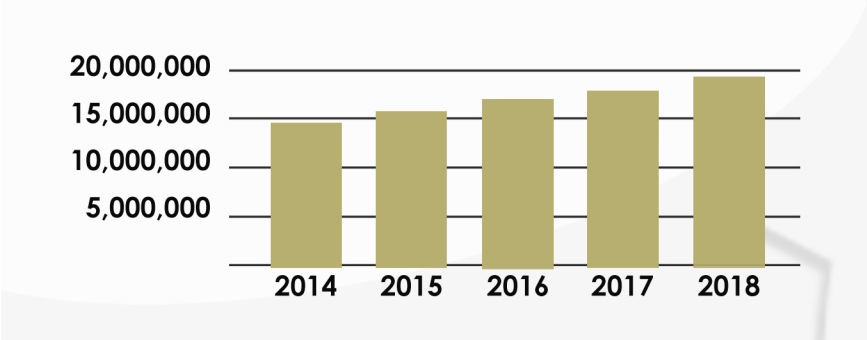


Figure 5: EFT transaction volumes, 2014–2018

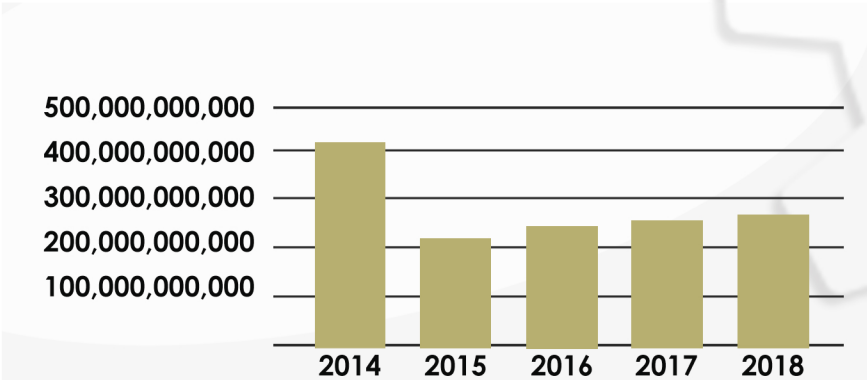


Figure 6: EFT transaction values (N\$), 2014–2018

Card Payments

Namclear processed 34 million card payments amounting to a combined value of N\$18 billion during the reporting period, which represents a 26% increase in volume (Figure 7) and a 26% increase in value (Figure 8) compared with the corresponding period in 2017. Again, these sharp increases are largely due to the migration from paper-based to electronic payment instruments.

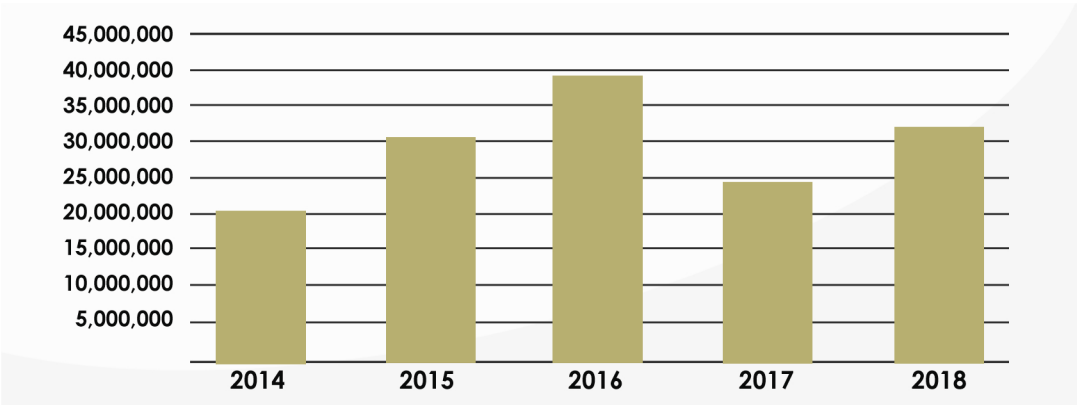


Figure 7: Card transaction volumes, 2014–2018

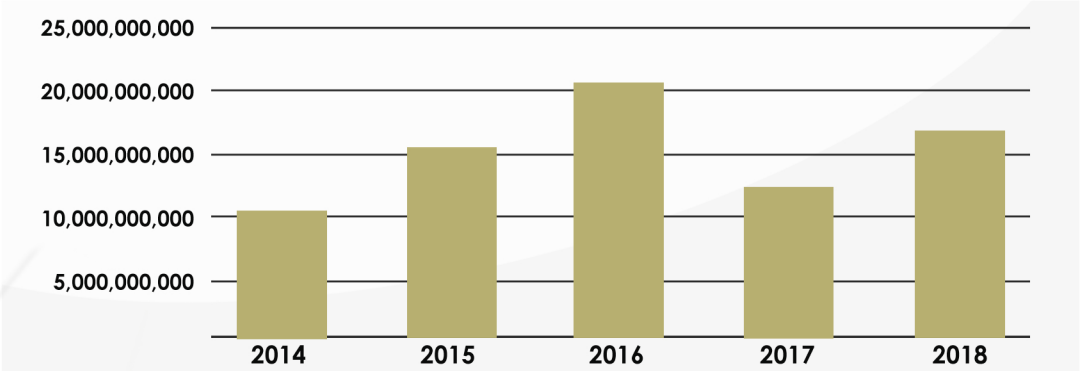


Figure 8: Card transaction values (N\$), 2014–2018

Table 4 and Figure 9 present a comparison among transactions cleared and settled during the 2014 to 2018 financial years in respect of their volumes, while Table 5 and Figure 10 indicate their respective values for those periods. The comparisons respectively show a steady decrease in the volume and value of cheque transactions, while the statistics for EFT and card transactions reveal they have overwhelmingly become the preferred payment methods for Namibian consumers.

Transaction type	Volume				
	2014	2015	2016	2017	2018
Cheque	2,157,362	1,870,368	1,254,622	708,885	319,458
EFT	15,676,630	16,196,746	17,815,891	18,375,142	19,467,227
Card	22,492,936	32,209,668	40,793,248	25,185,093	34,046,739

Table 4: Comparison of volumes by transaction type, 2014–2018

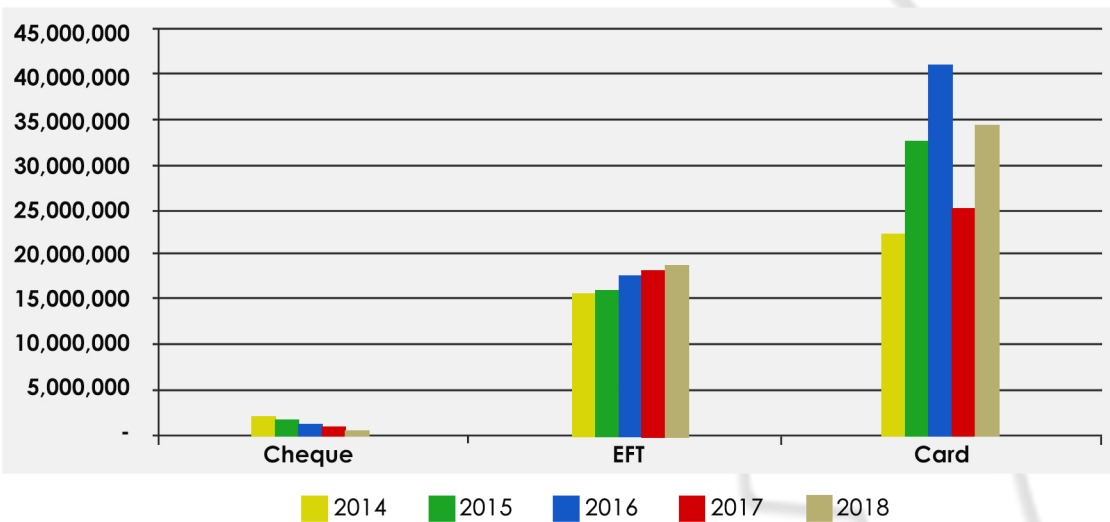


Figure 9: Comparison of volumes by transaction type, 2014–2018

Trans- action type	Value				
	2014	2015	2016	2017	2018
Cheque	34,946,987,863	32,524,170,039	11,970,865,119	6,676,019,167	3,342,955,885
EFT	430,468,033,555	238,172,691,853	268,434,519,205	269,028,242,444	280,093,653,135
Card	11,777,732,581	17,353,890,264	21,568,189,422	13,272,296,715	18,015,273,912

Table 5: Comparison of values by transaction type, 2014–2018

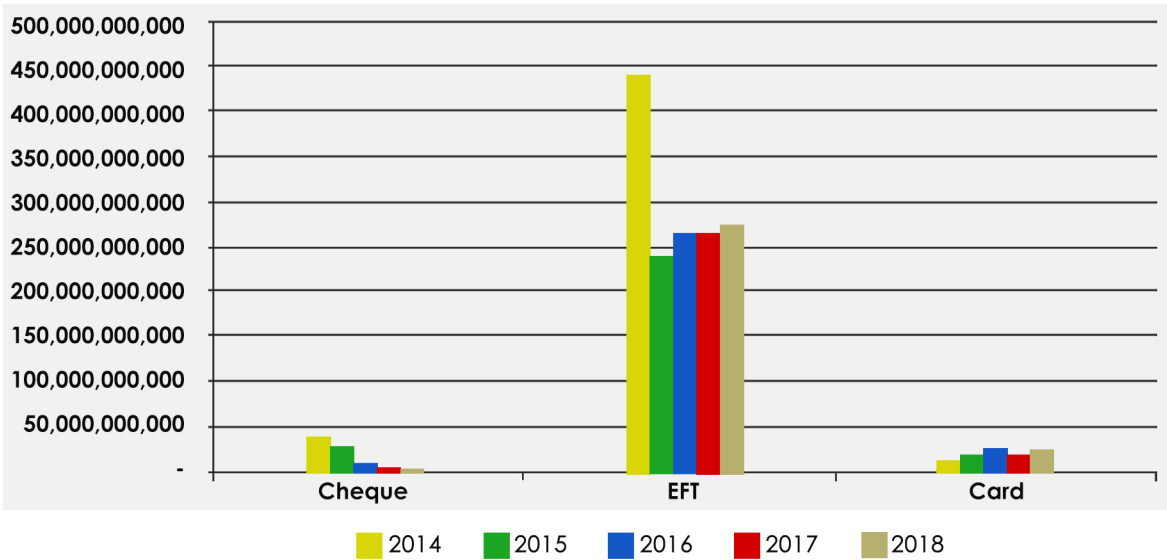


Figure 10: Comparison of values by transaction type, 2014–2018

Financial crime trends identified

Throughout the reporting year, PAN members report on financial crimes for discussion at our monthly member meetings. According to the Bank of Namibia's fraud report for 2018, there was a decrease both in the value of fraud and in the ratio of total fraud to total turnover, when one compares the first semester (S1) of 2018, i.e. from January to June, with its second semester (S2), namely from July to December. The trends identified below were recorded in the said fraud report.

Fraud by theft of identity

Fraud committed by way of identity theft is where one person uses another's personal information, without authorisation, to commit a crime or to deceive or defraud that other person or a third person. For example, during the reported period, a fraudster stole a certain individual's identity document and used it to apply for a microloan, which was then paid out to the fraudster. The microlender suffered a loss when they found out that had loaned out money to a fraudster.

It is vital for financial institutions to perform 'Know Your Customer' (KYC) checks on their clients wherever necessary to verify their true identity.

Cheque fraud

The value lost through cheque fraud decreased from N\$394,000 in S1 2018 to N\$134,000 in S2 2018. Of the four cheque-issuing participants, only two reported cheque fraud incidents. All of the cheque fraud incidents were attributed to forgery. The encashment of fraudulent cheques occurs because of the vulnerability within the procedures for confirming whether a cheque has been authorised.

Card fraud

A card not being present at the time of a transaction remains the most prevalent type of fraud committed via this payment instrument. The reporting year proved no exception in this regard. Not only was card fraud in S2 2018 higher than its counterpart in S1, the Card not present was also the only card fraud category that showed an increase in value between S1 2018 (N\$1.7 million) and S2 2018 (N\$2.2 million).

Card fraud due to lost or stolen cards decreased during the reporting year from N\$314,000 in S1 to N\$230,000 in S2.

Fraud due to forged or counterfeit card payments fell to N\$141,000 in S2 2018 from a high of N\$516,000 in S1 2018.

Fraud due to card ID theft declined sharply between S1 and S2 2018, namely from N\$47,000 to N\$5,000.

There were no reported card fraud incidents attributed to Not Received Issued Card (NRIC) in S1 and S2 of 2018.

EFT fraud

Due to the significant rise in the use of EFT payments, participants in the EFT stream have adopted controls such as two-factor authentication for Internet banking platforms and mobile phone applications to prevent unauthorised access to client data. These controls allow the EFT payment instrument to be the safest option compared with others in the NPS. During S2 2018, the total EFT fraud amounted to N\$38,000 – an increase from zero in S1, as nothing was reported. The fraudulent transactions recorded were mainly due to SIM card swapping, which enables fraudsters to obtain the one-time-passwords (OTPs) required for authenticating most customer-initiated EFT transactions.

Cash fraud

During S2 2018, the total cash fraud decreased to N\$1.8 million, from a high of N\$8.1 million in S1 2018. All cash fraud reported was attributed to theft. Cash was stolen by automatic teller machine (ATM) custodians as well as by unknown individuals that broke into such machines.

Fraud by swapping Subscriber Identification Module cards

In this type of ruse, a fraudster obtains a fake ID that enables him/her to assume a victim's identity. The fraudster then has the victim's SIM card blocked at the relevant mobile phone operator's office and obtains a new Subscriber Identification Module (SIM) card associated with the victim's cell phone number. Next, they approach the victim's bank to register for Internet banking. In this way, not only is the fraudster able to divert the victim's money to another beneficiary account, but s/he can also withdraw funds from the victim's account at the relevant bank branch.

Mule bank accounts

In this type of fraud, the criminals ask whether they can use their victim's bank account to receive a deposit, under the pretence that it is for a valid reason such as a bonus payment from an employer. The accountholder is then instructed to withdraw or transfer the money to enable the fraudsters to have access to it. This type of money laundering, which an unsuspecting client enables via the fraudster's crime, renders both parties criminally liable for fraud or theft. Financial institutions are expected to heighten awareness among their clients about this type of fraud.

Electronic wallet banking

E-wallet banking can be used by fraudsters to launder money. Financial institutions were therefore urged to be more vigilant and proactive in terms of preventing fraud via this product. The nature of e-wallet banking suits fraudsters because since it is impersonal, it leaves no paper trail, it is quick to execute, the funds are immediately available, and the cash is accessible from anywhere in the country.

Internet banking fraud

Internet banking fraud, which is on the increase, happens when fraudsters infiltrate electronic devices such as computers by means of malware or keyloggers and obtain a victim's personal bank account numbers, logon details, password, etc. Criminals then use the information to log on to Internet banking fraudulently, transferring their victim's money directly to themselves or others, or amending

their victim's beneficiaries' details, e.g. changing a beneficiary account number to one under the fraudster's control.

E-mail instruction fraud

In this type of financial crime, fraudsters take over their victim's e-mail account, usually a free address such as Yahoo or Gmail, and then begin corresponding with the victim's bank to arrange for fund transfers. Clients need to be protected more effectively by vigilant staff and via controls such as customer or transaction verification.

Loan application fraud

Several instances of loan application fraud have been reported in Namibia. In such cases, fraudsters apply for loans with a victim's forged identity documents. If the loan is successfully disbursed, the funds are immediately transferred to another bank or withdrawn in cash. The person whose identity was stolen in this way will only become aware of the crime once loan instalments begin to be deducted from his/her account. Syndicates connect with corrupt human resources staff in businesses or government departments, who assist them in processing the loan applications.

Fake proof of payment

In this type of crime, fraudsters produce a fake proof of payment from one of the Namibian banks and send it, for example, to a car retailer. The retailer then releases the vehicle to the fraudster in good faith – only to find later that the funds had never been transferred.

Conclusion

This chapter has not presented an exhaustive list of the types of financial crimes reported by PAN members during the financial year under review, only the most prevalent of them. As the date on which cheques will be phased out draws ever closer and fraudsters are forced to turn to other means of deceit, it is crucial for the industry to initiate the implementation of international best practices against fraud such as the PCI DSS, three-domain security (3DS), and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) Customer Security Program. Ultimately, all stakeholders are obliged to educate the public in terms of how to avoid fraud.

Mbapeua Kauuova
PAYMENT ANALYST



Message from the Chairperson of the Card Payment Clearing House



The 2018 reporting year was the most exciting and challenging to date, ending on the very high note on which it began.

As per the National Card Scheme and compliance it was prescribed that all banks should be compliant with the EMV Standard by 30 June 2018. The Standard was originally set up by Europay, MasterCard and Visa (EMV) for chip-and-PIN cards. Although it was a challenge for the industry to phase out magnetic stripe cards and replace them with chip-and-PIN counterparts, we are pleased to announce that all banks in Namibia have been compliant with the EMV Standard since the third quarter of 2018.

One of the most challenging tasks for banks has been to comply with the Payment Card Industry Data Security Standard (PCI DSS). Thus far, only two banks were 100% compliant; the remaining banks are still working towards compliance.

Regarding the Bank of Namibia's PSD-4 in respect of conducting card transactions in the NPS, the payment industry was granted an extension of the deadline for PSD-4 compliance. Nonetheless, PAN is happy to announce that all institutions offering fleet cards are already compliant.

By the end of the reporting year, the industry was still in the process of assuring their e-commerce transactions were compliant with the three-domain security (3DS) protocol devised by MasterCard and Visa, i.e. the authentication scheme that requires a cardholder to enter an additional password when making an online purchase.

During the 2018 financial year, Bank BIC Namibia and Letshego Bank Namibia, as relatively new members of PAN, began to offer cards as a payment instrument for their clients. We expect some of the other more recent entrants such as Nampost and Bank Atlántico to join the card stream in 2019.

The payment industry is in discussion with the Bank of Namibia as well as the Namibian Competition Commission regarding interchange fees across all the streams. Official feedback was still pending as the end of the reporting period.

Overall, the Card Payment Clearing House (PCH) participants are thanked for their dedication and hard work during the period under review. You helped our card projects to succeed and be executed as painlessly as possible for all concerned.

Johan van Wyk
CHAIRPERSON

Message from the Chairperson of the Electronic Fund Transfer Payment Clearing House



The EFT PCH is responsible for clearing all EFTs in Namibia. Its mandate includes the implementation and maintenance of rules governing the processing and clearing of EFTs. Key role players in this space besides PAN are the various banking institutions and our national umbrella clearing house, Namclear, through which all domestic interbank transactions are ultimately cleared.

Milestones achieved and key activities undertaken during the reporting year

Enhanced EFT Project

The Enhanced EFT Project remained a key focal area during the 2018 financial year. The Project, which will ensure that stakeholders achieve its objective of enhancing the way EFT payments are currently conducted in Namibia, is set to be implemented on 1 September 2019. Our accomplishments in respect of the Project to date include successfully completing the regression testing of the EnDO system, which is now ready for pilot as well as volume testing. In early 2019, the EnCr and NRTC streams will enter the system integration testing cycle.

SADC Low-value EFT credits within the CMA

The Common Monetary Area Payment System Oversight Committee's (CMA CPOC) Directive 1 of 2018 Regularisation of Clearing and Settlement of Cross border low value credit electronic transfer transactions within CMA requires that all cross-border low-value EFT credit payments should be routed through a regional clearing and settlement operator or SWIFT. Accordingly, the reporting year saw the commencement of discussions in this regard as well as the establishment of the duly entitled CMA Low-value EFT Credits Project. Progress during the period under review was, however, impacted by the prioritisation of the Enhanced EFT Project.

Enhanced EFT Clearing Rules

Several discussions and workshops took place with EFT PCH participants during the 2018 financial year with the aim of finalising the Enhanced EFT Clearing Rules. Progress proved challenging, however, owing to some as yet unresolved as well as new change requests from the payment industry that impacted the content of the Rules. Against this background, the members of the EFT PCH resolved to separate the EnDO Rules from those for the EnCr and NRTC systems in a bid to facilitate finalisation of the Rules.

Concluding remarks

The financial year under review proved to be both challenging and exciting, with engagements undertaken to realise the completion and ultimate going live of all Enhanced EFT services. The conclusion of the Enhanced EFT Project will result in improvements in payment efficiencies as well as a fast exchange of funds between and among participants, which will benefit Namibia's NPS overall. Looking ahead, the industry anticipates a challenging and productive year in terms of implementing this Project in respect of all three streams – EnDO, EnCr and NRTC.

Charlotte Shikongo

CHAIRPERSON

Message from the Chairperson of the Paper Payment Clearing House



The reporting year saw PAN issue a public notice to warn bank clients of the official phasing out of cheques by 30 June 2019. From that date, cheques will no longer be accepted as a payment instrument within the NPS. Both the Bank of Namibia and the banking industry are committed to the process of phasing out cheques.

The public was advised to take note of the following events and actions determined by the Namibian banking

industry in collaboration with the Bank of Namibia:

- 1 January 2019 would be the last day on which any banking institution was permitted to issue a cheque book to a customer
- 1 February 2019 would be the last day bank customers would be permitted to write out cheques
- 24 June 2019 would be the last day for customers to deposit a cheque as a payment instrument, provided that the cheque was dated 1 February 2019 or within three or six months prior to that date, as the case may be
- After 24 June 2019, no banking institution would accept cheques for processing, and
- 29 June 2019 would be the last day on which the interbank clearing of a cheque as a payment instrument would be permitted since cheques would be phased out entirely by 30 June 2019.

PAN also encouraged all customers to communicate with their banking institutions to obtain more details on alternate payment methods and advised them to contact their banks immediately for any further information. The notice then listed the contact details for Bank Windhoek, First National Bank Namibia, Nedbank Namibia and Standard Bank Namibia. PAN's contact information was provided along with an indication of its office hours and mandate to manage Namibia's NPS.

Cynthia Shikongo

CHAIRPERSON

Message from the Chairperson of the Immediate Settlement Payment Clearing House



The 2018 reporting year a stable one for the Immediate Settlement payment stream, since no new members joined, and no members left. The current members remain as the following: Atlántico Namibia, Bank BIC Namibia, Bank of Namibia, Bank Windhoek, First National Bank Namibia, Letshego Bank Namibia, Nedbank Namibia, Standard Bank Namibia, and Trustco Bank Namibia.

The industry constantly strives to streamline its processes. In this regard, as a regulating body, the Bank of Namibia strongly encouraged IS PCH members to explore the possibility of implementing straight-through processing because it would allow credit transfers to be reflected in a beneficiary's account without any delays.

The Bank of Namibia also took the opportunity during the reporting period to amend the receiving (REC) codes in the Namibia Inter-bank Settlement System

(NISS), replacing them with 42 new codes. The REC code amendments are aligned with the Bank of Namibia's encouragement to adopt straight-through processing.

REC codes serve to classify an underlying payment transaction. They are essential as they enable automated straight-through processing, which requires that the payer and beneficiary have a means to identify transactions. REC codes enable the NISS to send certain reference information from a payer to a beneficiary, and these facilitate the automation of both parties' payment processing systems. In this way, REC codes minimise the need for manual intervention and reconciliation in payment processing.

Apart from attending monthly IS PCH meetings, our members convene annually via the NISS User Forum. The Forum's primary purpose is to engage users in constructive discussions of NISS-related operations. Thus, the Forum offers users a platform not only to exchange ideas, but also to discuss challenges and opportunities that can help the NISS to effectively and efficiently enhance its service provision. The Bank of Namibia, representing the NISS operator, also uses this Forum to share developments on existing and future real-time gross settlement products.

The industry still anxiously awaits the approval of the Financial Institutions and Markets Bill. The new legislation will steer the NISS system in a different direction and towards new horizons in that the market will become paperless.

We are confident that, with the collaboration and commitment of all the participating banks, we will continue to uphold PAN's Mission to maintain a world-class payment system that meets domestic, regional and international requirements.

Since this will be my last report as Chairperson of the IS PCH, I would like to take advantage of this occasion to thank our members for the opportunity they have given me since 2015 to lead discussions in our niche of the industry. I wish my successor the very best in his or her pursuit of continuing to bring efficiency and effectiveness to the arena of high-value payments.

Christine Carstens
CHAIRPERSON

Message from the Chairperson of the Financial Institutions Fraud and Security Committee



Mission

The mission of the Financial Institutions Fraud and Security Committee (FIFSC), as stated in its Constitution, is to help reduce financial crime being committed against financial institutions. This mission includes promoting the security of financial institutions' staff and customers as well as protecting the integrity of the Namibian payment industry and its individual systems as secure assets in the service of all stakeholders, both national and international.

Objectives

The mission is to be fulfilled by attending to several identified objectives. The critical objectives are, firstly, to increase public awareness of financial crime and other security-related matters, and secondly, to use the FIFSC as a platform for the confidential discussion of financial crimes committed against financial institutions and members of the public. The Committee also assists financial institutions by way of sharing information and networking with industry employees, and by providing training opportunities where relevant.

Strategy

The FIFSC's strategy is to focus on fulfilling its mission and achieving its objectives, but also to add value by enhancing safety and security for all its stakeholders.

Review of 2018

Participants

Current FIFSC membership also includes Bank Windhoek, First National Bank Namibia, Nedbank Namibia, Standard Bank Namibia, Atlántico Bank, Bank BIC Namibia, Letshego Bank Namibia and Trustco Bank Namibia.

Other stakeholders in the financial-crime environment such as the Bank of Namibia are also FIFSC members and attend its meetings, while the Financial Intelligence Centre and the Commercial Branch of the Namibian Police attend monthly FIFSC meetings as observers.

Training

During the reporting period, the FIFSC participated in a training course for Namibian Police officials presented at the Israel Patrick Iyambo Police College. The course covered aspects of the Payment System Regulation, types of fraud and Cyber Security.

Raising awareness

During the reporting period, the Financial Literacy Initiative invited the FIFSC to participate in one of their regular televised shows to raise awareness about the security features of the new EMV cards being rolled out into the market by the commercial banks to replace the magnetic stripe cards. Since feedback from the public revealed a lack of understanding about the need for the new cards, the televised discussion offered an opportunity to promote the cards' enhanced safety features. The Financial Literacy Initiative also indicated their willingness to cooperate with the FIFSC in future in respect of the need to raise awareness among the public about other relevant issues.

The various FIFSC members also ran their own campaigns for their clients as well as in the public media during the year under review to raise awareness about fraud. In this way, they reached a wide audience on matters touching not only their own clients, but also non-clients transacting with the various banks. FIFSC members also conduct fraud-prevention activities internally to combat any attempts by staff to commit such crimes.

Financial crime statistics

As per regulatory requirements, financial institutions regularly provide the Bank of Namibia with financial crime statistics. Each semester, the central bank's Payment and Settlement Systems Department issues a Fraud Report based on a due analysis of such data. Being the only industry-wide synopsis of its kind, the Fraud Report serves as valuable input for all FIFSC members, who use it to validate and strengthen their actions against fraud. In this regard, the Bank of Namibia also communicates regularly with the FIFSC to articulate their respective mutual requirements more specifically, and to look at enhancing the value of these statistics for the industry.

Trends in financial crime

Throughout the reporting year, FIFSC members report on financial crimes for discussion at our monthly meetings. Where certain trends emerge from these discussions, they need to be addressed proactively with awareness-raising and monitoring; if no action is taken, financial losses will simply increase. As mentioned in the previous paragraph, the Bank of Namibia collects data from the financial institutions which are aggregated and published in two semester reports. Many of the trends observed during the past financial year were reflected in the Bank of Namibia's Fraud Report for S1 2018. The most prominent issues mentioned in it follow hereunder.

Identity theft and fraud

Identity theft is still prevalent in Namibia. This type of theft allows a fraudster to pretend to be the real client. This poses a challenge to financial institutions because they are duty-bound to identify positively each person with whom they transact. Where these institutions fail to do so, they face fraud claims. With their clients increasingly shifting to electronic and mobile banking platforms, financial institutions will see a rise in fraud on these payment channels through phishing and pharming. Financial institutions are following the trend towards investing in biometric client identification, which will add one more secure step in the authorisation procedure when clients use a disconnected device like a cell phone.

Cheque fraud

The occurrence of cheque fraud has declined slightly in both volume and value since 2017. As cheques are being phased out by the industry during 2019, such fraud will reduce further and eventually cease. Meanwhile, however, identity theft makes it a challenge to proactively deter and prevent cheque fraud. In this regard, the market shows that many businesses have already moved to Internet banking and pre-delivery of goods and services via EFTs because of their increased security features, and they no longer accept cheque or cash payments.

Card fraud

As a category of card fraud, Card not present experienced a dramatic 26% increase in value from S2 2017 to S1 2018. During the same period, the credit card versus debit card fraud increased to 54%. The industry ascribes this rise not only to the introduction of the more secure EMV cards, but also to the increased momentum of their roll-out during the reporting year.

As expected by industry, the trend experienced in other jurisdictions where EMV cards were introduced – namely, that Card not present fraud increased compared with other forms of card fraud – prevailed in Namibia as well. The introduction of additional authentication and authorisation security features are currently being investigated by the industry. Their introduction will address this card fraud risk to acceptable levels, as has been shown in other jurisdictions.

Internet banking fraud

Internet banking platforms provide several opportunities to fraudsters. They infiltrate electronic devices such as computers and cell phones by means of malware and steal the owner's personal information, which they then use to commit fraud. This is part of the phenomenon of identity theft known as phishing.

Other forms of Internet banking fraud include forging proof of EFT payments and taking over e-mail addresses to order goods and make false payments before goods are delivered. Due to the nature of this type of fraud, there are no reliable statistics of its degree of occurrence. Unfortunately, with the phasing out of cheques as a payment instrument during 2019, the incidence of Internet banking fraud is expected to increase.

Strategy for 2019

Besides continuing to strive to fulfil the FIFSC's mission and objectives, we will also again focus on providing a platform for industry-wide discussion, networking, and sharing of experiences among our members with the aim of preventing and detecting financial crime. In addition, we will be encouraging our members to use this collaboration proactively to heighten awareness of financial crime among the public in general, and among their customers in particular. As is customary for the FIFSC, we will continue to identify opportunities for training, especially in respect of combating the growing phenomenon of cybercrime.

Financial-crime risk management in the future

It should be noted that the categories of financial crime reported on above by our members do not constitute an exhaustive list. With our already stressed economy coming under further pressure via negative developments in South Africa and elsewhere, coupled with the growing domestic levels of unemployment, a surge in financial crimes should be expected. At the same time, rapid technological change opens new avenues for fraudsters, who are quick and innovative in capitalising on such opportunities.

In addition, banking is becoming increasingly faceless as clients are pushed to use new technologies for various reasons, including saving costs. The challenge to financial institutions, therefore, is to correctly identify their customers, and to verify that identity. This needs to be immediate and unnoticeable by the client, with as few false positives as possible. The same principle applies to transaction screening: clients want their bank to be as inobtrusive as possible when it comes to their personal space; on the other hand, clients also expect their banks to be sufficiently familiar with their account usage, which should equip them to effectively screen all client transactions, allow the valid ones, and prevent anything fraudulent.

To this end, the global trend by financial institutions is to implement the use of biometric technology to correctly identify their clients and to verify that identity. Biometric authentication entails using distinct physiological features such as a fingerprint, the retina, the face or veins in the hand. These features are tested against the record of them in the relevant institution's database. Usually a combination of technologies is used. Together with two-step authentication, biometric authentication is the most reliable means of proactively preventing fraud.

Current technology allows financial institutions to determine patterns in their clients' financial behaviour over time. Furthermore, machine-learning algorithms in real-time transaction monitoring systems enable a client's transactional behaviours to be verified, which in turn allows for efficiencies and fewer false positives in identifying potential fraudulent transactions. At least one local bank is investigating the introduction of this industry-leading technology.

Closure

The members of the FIFSC would like to express their appreciation to PAN for its valuable assistance and services during 2018. Without PAN's commitment, the FIFSC would not be as successful as we believe it currently is. We would also like to thank the financial institutions for actively participating in achieving the FIFSC's strategic objectives, which flow into and support the PAN Vision.

Johnny Truter
CHAIRPERSON

Message from the Chairperson of the PAN Stakeholder Forum



In a rapidly changing payment industry, both locally and globally, that is associated with increased participation from more payment service and financial technology providers, the PSF continued its focus on achieving its core aim and purpose. The Forum aims to promote inclusiveness and access to the NPS. Through this Forum, non-banks are provided with the opportunity to contribute towards the NPS Vision as well as to the efficiency and safety of the NPS by participating in operational and strategic initiatives undertaken within it.

The PSF's secondary aim is to foster and facilitate collaboration between the various PSF stakeholders in the NPS. The PSF considers the future direction of public policy in respect of 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, accepted and implemented its Constitution. These innovations will ensure that the PSF is aligned with the principles governing the NPS and which apply to the various Payment Clearing Houses.

The activities of the PSF continued during the past reporting year with quarterly member meetings that were well attended and recorded. The PSF also kept the PAN Management Council informed of its activities via quarterly activity reports.

In addition, all PSF members remained aligned with their obligations under the new Constitution as well as under various member resolutions. The PSF also continued to focus on member involvement to ensure their informed and aligned participation in the broader NPS structures.

A highlight for the PSF during the year under review was the PAN Management Council's decision to include it in PAN's PCH structures. To this end, the PSF nominated its main and alternate members to represent it in these structures.

PSF membership

The PSF has a total of 12 non-bank members. Besides payment service providers, the Forum also includes associations representing industries where payment instruments are key enablers of their business models.

During the year under review, the PSF continued to liaise with payment industry participants to promote inclusiveness and access to the NPS. The PSF also remains supportive of newly established structures that reflect the evolution of the NPS and other forms of continued innovation. To this end, PSF members are represented in PAN's e-Money Work Group. Such liaisons result in new members joining the PSF, particularly those from the innovative fields of mobile and e-commerce.

Enhanced EFT Project

The Enhanced EFT Project remained a high priority focus for the PSF during the 2018 financial

year, given its stakeholder dependency on the new payment stream. Phase 1 of the EnDO system roll-out continues to be a highly anticipated event for its stakeholders.

The PSF remained closely involved in the Project, with its nominated representatives actively participating in the Steering Committee and other Project structures. Individual payment service providers currently liaise directly with their sponsor banks as the various phases of the Project proceed.

Industry contact

The PSF maintained contact with the industry throughout the year under review to update non-bank stakeholders about NPS initiatives and the role that non-banks play in the system. The focus continued to be aimed at raising awareness of the PSF and its function as a representative forum for non-banks and payment service providers, on the one hand, and encouraging its members to participate fully in the Forum, on the other. The PSF also uses the various industry contact forums to update stakeholders on the status of the Enhanced EFT Project.

NPS Vision 2020

PSF members collaboratively continued to pursue the strategic themes and objectives of the NPS's Vision 2020 during the reporting period. The PSF also participated in the PAN Vision 2020 review process, considering each of the strategic themes and the actions being implemented to achieve the set objectives. PSF supported these objectives during the period of review by way of the following actions, among others:

- PSF members enabled their systems to carry the specified abbreviated short name of each payment service provider as set out in the Enhanced EFT Project, and
- PSF member organisations supported and completed the PAN Payments Course aimed at upskilling non-bank employees in the workings of the payment industry.

PSF strategic focuses

The Enhanced EFT Project requires substantial input from the PSF as the representative of non-bank payment service providers. The PSF's short-term focus will therefore remain on ensuring a smooth transition to Enhanced EFT, particularly to the EnDO system, so that business origination can continue with as little interruption as possible. This will protect the PSF's stakeholders, who are dependent on the electronic solutions underpinned by smoothly functioning payment streams.

To ensure the safety and efficiency of the NPS, the PSF will continue to focus on market conduct requirements and maintaining regulatory compliance levels. More specifically, achieving compliance with the objectives of the Enhanced EFT Project and the EnDO system remains a prerequisite for continued participation in the NPS. The industry drive to implement the system of abbreviated short names, which uniquely identify transactions, will also be supported by the PSF.

In terms of its strategic focuses over the longer term, the PSF reiterates, through its, consultation and contribution, its recognition in the industry. Also, on the PSF's strategic radar is its support towards achieving the goals of Vision 2020.

Conclusion

The PSF's inclusion in NPS structures has served to heighten our motivation to continue contributing to the evolution of the NPS. Our input not only strengthens the NPS and promotes innovation in the industry, it also confirms the Forum's relevance in this rapidly changing environment. To this end, the PSF remains committed to making meaningful contributions to the NPS structures where it is represented.

Pieter Swanepoel

CHAIRPERSON

Message from a Member of the SADC Banking Association Payment Scheme Management Body



As the elected industry representative for Namibia to the Southern African Development Community Banking Association Payment Scheme Management Body (SADC BA PSMB), I had the opportunity to interact with our counterparts across the SADC region since my appointment. I will provide a brief update on the most pertinent points covered during the reporting period.

Projects in SADC

Due to the current project congestion in the Namibian payments space, the feedback consistently taken to the PSMB was that we needed to take a prioritised approach as a region so that risk could be mitigated, and country resources could be managed optimally.

To this end, the focus during the reporting year included low-value EFT credit payments, but attention will later shift to other payment streams, such as delivery versus payment operations, mobile platforms and

card payments, as these various projects are launched.

In-country SADC RTGS User Groups

Real-time Gross Settlement (RTGS) User Groups are being established in the various SADC member countries. As the RTGS service has already been operational in the SADC region since 2013, customers can obtain more information about the product via their banking institutions. These institutions are also raising awareness about SIRESS to ensure that customers and stakeholders alike are cognisant of the RTGS payment options.

The SADC RTGS User Groups meeting in Mozambique in 2018 was a great success as banking institutions from various member countries, including Namibia, were represented. This annual event gives participants an opportunity to network, learn about best practices from their peers, while keeping abreast with the latest developments in respect of RTGSs, and share progress on previous annual meets.

Transactions cleared on an immediate basis

As part of the SADC BA PSMB's financial inclusion strategy, it is with great pride that I can share that a pilot TCIB initiative has been launched in the region. This initiative is a significant development in the pursuit of promoting financial inclusion and accessibility.

SADC RTGS

As reported in the 2017 financial year, a CMA Cross-border Payments Oversight Committee (CPOC) Directive permits the US Dollar to be used as a settlement currency.

In respect of low-value EFT credit payments on SIRESS, however, the same CPOC Directive requires all CMA member states to settle these in South African Rand, Namibia Dollars, Lesotho Maloti or Eswatini Lilangeni. CMA countries are therefore gearing up to roll out the duly established Low-value EFT Credits Project as soon as their regulators agree on its final implementation date.

The total number of transactions settled on SADC’s RTGS system during the reporting period amounted to 1,301,980. These represent a value of ZAR5.32 trillion (USD369.20 billion/EUR322.77 billion). The peak volume of 32,059 transactions occurred in October 2018, while a peak value of ZAR119.53 billion was recorded in August 2017.

Table 6 below presents details on SIRESS participation.

Table 6: SIRESS participation

Countries	Number
Participating countries	14
Participants	Number
Central banks	7
Banking institutions	74
Total participants	81
SADC RTGS (Regional clearing system operator)	Number
Regional clearing operators	1

Source: Courtesy of the SADC Banking Association

Conclusion

Namibia’s representation on the SADC BA PSMB will ensure that our vision for SADC participation is kept alive. The projects within the CMA and SADC at large will certainly create more opportunity, not only for the banking institutions, but also for their customers, to collaborate on existing and new systems of payment efficiency while promoting financial inclusion/accessibility

From a Namibian perspective, there are challenges that we will face; however, since we are addressing these challenges as a collective under the PSMB banner, we remain confident that stakeholders can be engaged and systems that meet internationally recognised standards can be implemented to the benefit of every SADC member. We believe the years ahead hold exciting prospects for collaboration and innovation in the payment industry across SADC.

Annette Rathenam

MEMBER OF THE SADC BANKING ASSOCIATION 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 PCH arrangement for EFT payment transactions

EMV Standard

This standard, initially devised by Europay, Master Card 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 transaction

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; operates as a Payment System Service Provider as defined in the Payment System Management Act, 2003 (No. 18 of 2003)

NISS/Namibia Inter-bank Settlement System

A system facilitating the settlement of all domestic transactions in Namibia Dollars at the Bank of Namibia

NPS/National Payment System

The payment system as a whole; includes any payment system, settlement system, clearing system or payment 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

PCH/payment clearing house

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

POS/point-of-sale 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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