



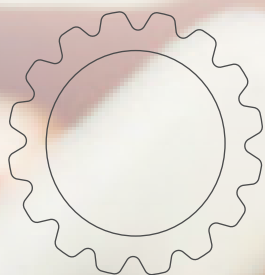
PAYMENTS ASSOCIATION OF NAMIBIA



ANNUAL REPORT

2021



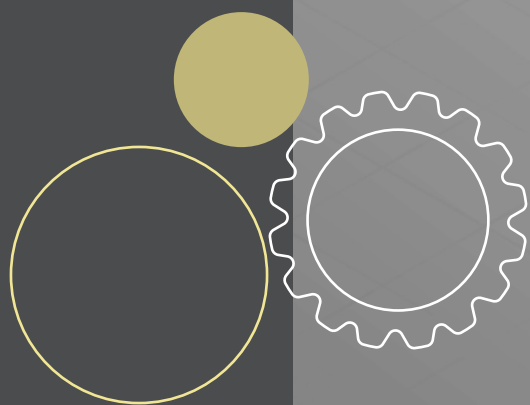


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List of Abbreviations

AACB Association of African Central Banks	FinTech Financial technology	PMC PAN Management Council
ACH Automated Clearing House	FMI Financial Market Infrastructure	POS Point of sale
API Application Programming Interface	IMF Incident Management Forum	PSD-7 Payment System Determination on the Efficiency within the National Payment System
ATM Automated Teller Machine	IS Immediate Settlement	PSF PAN Stakeholder Forum
BAN Bankers Association of Namibia	ISO International Organisation for Standards	PSP Payment Service Provider
BoN Bank of Namibia	IT Information technology	Q1 First quarter
BRD Business Requirements Document	MOU Memorandum of Understanding	QR Quick response
CBPR+ Cross-border Payments and Reporting Plus	MT Message type	SABRIC South African Banking Risk Information Centre
CNP Card-not-present	Nampol Namibian police	SADC Southern African Development Community
COVID-19 Coronavirus disease	NaSIA Namibia Savings and Investment Association	SADC BA SADC Banking Association
CRAN Communications Regulatory Authority of Namibia	NBC Namibian Broadcasting Corporation	SADC PSMB SADC Payment Scheme Management Body
EFT Electronic Funds Transfer	NISS Namibia Inter-bank Settlement System	SADC RTGS SADC Real-Time Gross Settlement System
E-commerce Electronic commerce	NPS National Payment System	STP Straight-through-processing
E-mail Electronic mail	NRTC Near Real-Time Credits	SWIFT Society for Worldwide Interbank Financial Telecommunications
e-Money Electronic Money	PAN Payments Association of Namibia	TCIB Transactions Cleared on an Immediate Basis
EnDO Enhanced Debit Orders	PCI DSS Payment Card Industry Data Security Standard	TOR Terms of Reference

CORPORATE PHILOSOPHY



PAN 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.

PAN MISSION

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

PAN VISION

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

PAN VALUES

INNOVATION

At PAN and in our stakeholder organisations, we value innovation and promote a culture where we initiate and enhance creative ideas for positive change.

RESPECT

We respect and protect the dignity of everyone. We value each other's contributions and space at PAN.

GROWTH

We encourage and empower everyone to grow to their 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

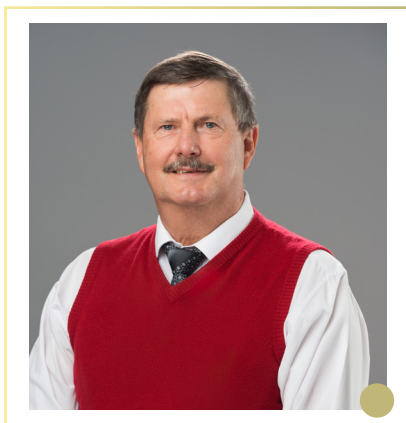
We believe in continuous improvement and being responsive to customer needs.

TEAMWORK

We believe that teams can rise to achieve greater things together, rather than individually. We appreciate, support, and sustain each other in fulfilling our common vision.



PAN MANAGEMENT COUNCIL



Dr Koos Keyser
Chairperson



Annette Rathenam
PAN Chief Executive Officer



Allvan Farmer



Candy Ngula



Mbo Luvindao



Chris Diemer



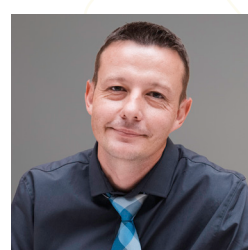
**Natália
Oliveira-Ndebele**



Jacques Marais



Pieter Swanepoel



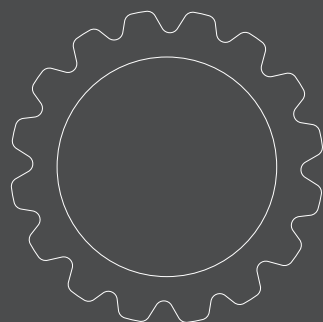
Andries Swarts



Asser Alfeus
Manager: Finance and
Administration (Secretary)



ORGANOGRAM



PAN MANAGEMENT COUNCIL

PAN
Chief Executive
Officer
**Annette
Rathenam**

Manager:
Finance and
Administration
Asser Alfeus

Manager:
Projects and
Technology
Josua Jonas

Manager:
Regulatory
and Compliance
Salma Herman

Payment
Analyst
**Mbapeua
Kauuova**

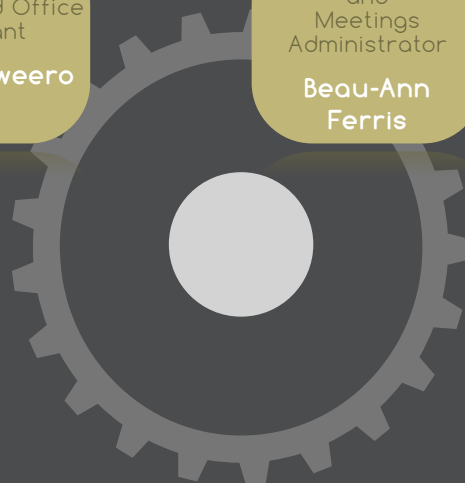
Payment
Analyst
**Thomas
Hamata**

HR and
Administration
Officer
Lydia Iiyambo

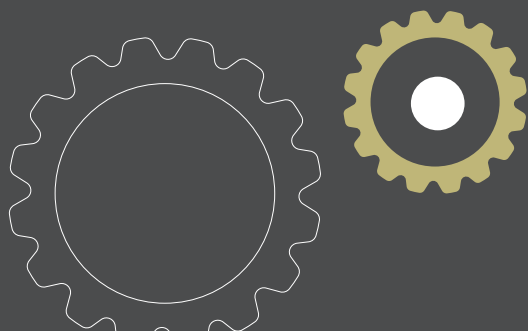
Finance and Office
Assistant
Loide Amweero

Communications
and
Meetings
Administrator
**Beau-Ann
Ferris**

Utility Officer
**Sarafina
Nelenge**







MESSAGE FROM THE INDEPENDENT CHAIRPERSON

Building on Vision 2025 during the last twelve (12) months, the Payments Association of Namibia (PAN) has continued to carry out its mandate to ensure the safe, secure, efficient, and effective operation of the National Payment System (NPS).

With the NPS growing, the PAN Management Council's (PMC) focus during the past year was on the first year of the implementation phase of Vision 2025. In support of our vision, our aim is to be a world-class NPS at the forefront of digital innovation and transformation whilst facilitating economic activity in support of Vision 2030.

PAN is the principle self-regulatory body that promotes a cooperative environment to drive payment system policy development and self-regulation among its members and stakeholders.

In terms of our vision, the focus is to influence and contribute to the development and maintenance of legislation, regulations, and appropriate standards for the NPS. This is to ensure that the capability of an efficient and world-class NPS is established to meet domestic, regional, and international requirements.

As one of the first countries to adopt International Organisation for Standards (ISO) 20022 in Africa, the NamPay implementation was one of the biggest

milestones for Namibia and at the forefront of the digitisation revolution of the payment systems on the continent. The adoption of ISO 20022 represents a strategic investment supporting the NPS Vision. The standard can be used across all payments; card, forex, securities, and trade, but currently, only applied to Electronic Funds Transfer (EFT) payments, clearing and settlement in Namibia.

These digital innovations and transformations provide Namibians with better accessibility to financial services, while contributing towards the development and maintenance of legislation, regulations, and appropriate standards. At the same time, the NamPay milestone has leveraged the Namibian Government Vision 2030's development priorities in support of financial inclusion, which will be expanded on during the remainder of the Vision 2025 period.

In pursuit of our strategic goal as it relates to the Bank of Namibia's (BoN) position paper on interoperability in the NPS, the level of interoperability in the NPS is currently standing at 100% for both EFT and Card streams. Electronic Money (e-Money) issued by both banks and non-banks remains closed-looped and an interoperable model is currently being pursued. The industry is on track with the timelines provided in terms of reaching full interoperability in all payment streams by 2025.

Through stakeholder engagements, PAN will introduce appropriate standards and maturity levels which will enhance the risk management practices concerning cyber-security, payments fraud and crime. The PMC continues to improve the effective and efficient operation of the NPS, which will further enhance the trust of its members and stakeholders.

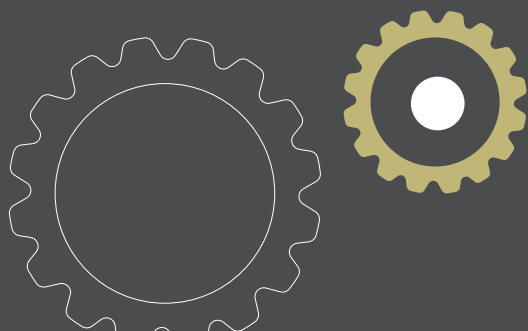
To build on our future, digital innovation and transformation remains a high priority in facilitating and promoting collaboration between the NPS stakeholders.

With this said, I wish to thank and acknowledge my fellow council members for their contributions during my five (5) year term. I would like to congratulate Mr Adrianus Vugs on his appointment and who took over the chairpersonship in 2022.



DR KOOS KEYSER

Chairperson: PAN
Management Council



CHIEF EXECUTIVE OFFICER'S REVIEW

The Coronavirus disease (COVID-19) had global implications and presented opportunities for a global shift to more digital innovations. The industry remained resilient during the period as PAN's ten (10) Members and fifteen (15) Service Providers continued to be at the forefront of digital innovation and transformation.

While we found a deeper commitment in strengthening our relationships in the payment ecosystem, we also discovered new ways of working. This enabled us to continue striving as a collective for efficiency and effectiveness, to the benefit of the customers and the Namibian nation through the well-established and innovative infrastructure. With the evolution of digital transformation, PAN continues to influence legislation, regulations and appropriate standards which are critical for both businesses and customers.

As the reliance on technology strengthened globally, Namibia was no exception as it domestically migrated from the old EFT system to the state-of-the-art NamPay service. The current debit order system will be replaced by an enhanced collection process; Enhanced Debit Order (EnDO) payments. In addition, the current EFT credit system will also be replaced by two (2) new streams that will enhance the way money can be transferred across all banking institutions. The Near Real-Time Credit (NRTC) payment stream enables consumers to transfer 'in real-time' to any

beneficiary within the business day, whereas the credit payment transfers enable clearing during the same business day.

The card contactless payments were rolled out to meet the evolving needs of banking customers, while the enhancement of the Visa fuel card data standard will define how data is carried in the end-to-end transmission and to digitise those processes where manual interventions are still taking place. Quick response (QR) codes have not yet taken off, but it is one of the standards that our ecosystem wishes to ensure is interoperable among both banks and non-banks in the future.

Namibia's participation in the Southern African Development Community (SADC), specifically the SADC ISO 20022 Migration project, will continue to improve the efficiency of cross-border payments. In ensuring the expansion of cross-border digitisation and customer services, while regional and continental integration for both banks and non-banks remain high in order to align to global best practices.

I wish to take this opportunity to thank PMC for their leadership and direction during the first year of the NPS 2025 roll-out, when times were challenging. I would also like to thank the PAN Executive Office and our stakeholders for their continued collaboration, support, and promotion towards an innovative and transformative NPS.



We will remain focused in delivering an accessible, efficient, effective, and secure NPS through stakeholder collaboration and the adherence to appropriate payment system standards aligned to global best practices in our pursuit to be a world-class NPS.

- Annette Rathenam



ANNETTE RATHENAM

Chief Executive Officer





PROJECTS AND TECHNOLOGY HIGHLIGHTS

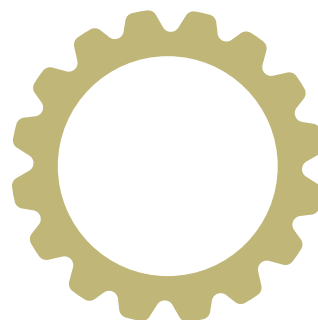
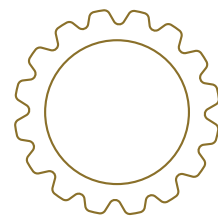
The NPS 2021 - 2025 strategic plan identified several strategic initiatives that are required to enable the continuous transformation of the NPS. The timely completion of most, if not all, of the strategic initiatives largely rely on the delivery of the industry projects. As a result of COVID-19, the year under review experienced a spill-over of the disruption of the pandemic from 2020. This inherently required the project community to complete the projects planned for 2021 in an unpopular fashion, which was characterised by a large reliance on digital platforms for collaboration.

In the EFT stream, the payment industry's participants and stakeholders successfully completed the migration of the total transaction volume from the old EFT system to the newly enhanced EFT system referred to as NamPay. As of December 31st, 2021, all EFT transactions were processed on the new system that is based on the ISO 20022 messaging standard. Additionally, several small projects were delivered to allow continuous improvement of the EFT stream. In other streams, such as the Card, the focus was maintained on the standardisation of some aspects of the stream such as the Fleet Data transaction specifications.

At a regional level, progress has been made on the adoption of the ISO 20022

messaging standard; in which, the Namibian SADC participants have initiated work to meet the requirement to convert the high-value cross-border payments from the current Society for Worldwide Interbank Financial Telecommunications (SWIFT) message type (MT) standard to ISO 20022 by the proposed deadline of October 2023. Concurrently, the industry players in various jurisdictions, including Namibia, also initiated work to convert to ISO 20022 messaging standard for international Cross-border Payments and Reporting Plus (CBPR+) in line with the global SWIFT deadline of November 2025 with a co-existence period with MT messages starting in November 2022.

Several projects were delivered across the various payment streams resulting in a significant contribution to the evolution, transformation, and adaptation of the NPS. Our involvement in regional projects does not only enable the alignment of payment standards and practices, but also foster working relationships with counterparties in other jurisdictions.





Our involvement in regional projects does not only enable the alignment of payment standards and practices, but also foster working relationships with counterparties in other jurisdictions.

- Josua Jonas

JOSUA JONAS

Manager: Projects and Technology



REGULATORY AND COMPLIANCE HIGHLIGHTS

The payment landscape in Namibia has been affected immensely by COVID-19, thus, fast tracking the acceleration of digital transformation. The industry has been hard at work with the adoption of the new NPS Vision 2025 that runs from 2021 - 2025.

The Card stream is investigating the modernisation of the card rails and adoption of the QR standards in terms of issuing and performing pull and push payments. The EFT stream finalised and implemented the enhanced EFT system that ensures that EFT payments are processed fast, securely and at a reasonable cost to the NPS. The e-Money stream completed the drafting of the new e-Money rules and Business Requirements Document (BRD) for an interoperable system to be adopted, which is in line with the NPS Vision to be fully interoperable in all streams. The drafting of the e-Money rules and BRD could not have been completed without the PAN Stakeholder Forum (PSF) fostering, contributing, and facilitating collaboration between the members in the NPS to ensure that the vision activities and initiatives are attained.

Mega trends with relevance to the Namibian market:

- Accelerated pace of digitisation of economies.
- Open banking and sharing of infrastructure for joint access to consumer information through Application Programming Interface (API).

- Increased collaboration between banks and non-banks in the payment ecosystem.
- The inclusion of non - and -underbanked consumers in the NPS.
- The creation and facilitation of regulatory sandboxes to allow live time-bound testing of innovations under regulatory oversight.
- Adoption of common standards for payment solutions.

Fraud

The reporting period of 2021, has seen a rise in card-not-present (CNP) fraud activities. As an industry, we have worked tirelessly to educate the public on how to protect both their credentials and cards. In addition, a two (2) week media program was actioned through the Namibian Broadcasting Corporation (NBC) and on our social media pages. As part of our strategy, we will continue to educate and caution the general public on financial crime. We encourage everyone who wants to ensure that they are apprised of these initiatives to visit our website (www.pan.org.na) or follow us on our social media pages:



Twitter:
@PAN_Namibia



Facebook:
@PaymentsAssociationofNamibia

Payment Card Industry Data Security Standard Compliance

For the reporting year, the ongoing Payment Card Industry Data Security Standard (PCI DSS)





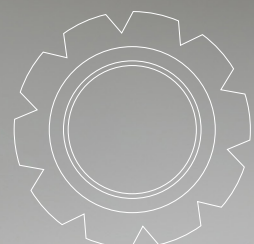
PAN will continue to ensure that it lives up to its mandate as per the Act in influencing the industry's payment infrastructure modernisation, and ensuring that the NPS infrastructure, rules, standards, and bylaws are best equipped to support and enable innovation.

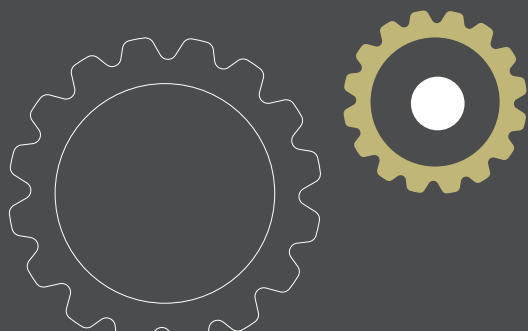
- Saima Herman



SAIMA HERMAN

Manager: Regulatory and Compliance





compliance project remains a cumbersome exercise, with most participants still not obtaining full compliance due to complexity and human resource challenges. The industry is hard at work in addressing the challenges for full compliance by the year 2025.

Interchange

During the 2021 financial year, BoN conducted an interchange costing exercise by collecting cost information related to the provision of interbank card payment services by the card participants in the NPS. The cost information was validated, analysed, and used to derive cost-based interchange rates for debit, credit, and hybrid card transactions at point of sale (POS) platforms and Automated Teller Machines (ATM). Currently, the exercise is in its final stage and will allow BoN to issue a determination in the year 2022.

Governance

With the new NPS Vision 2025, the governance of PAN still remains a relevant topic to ensure efficiency, fairness, and transparency.

PMC and the Executive Office continue to explore new effective models, and a proposal was given to BoN to incorporate it in the draft Payment System Management Bill. In the meantime, the forums' constitutions have been amended to incorporate non-banking

institutions, with the likes of Namibia Savings and Investment Association (NaSIA) and the Retail Association joining in the pertinent conversations.

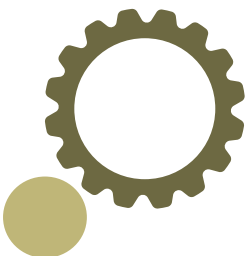
Regulations, Entry and Participation Criteria

With changes to new innovation, PAN regarded it important to start with the review process of its Entry and Participation Criteria to ensure that it is not inhibiting innovation, but forward thinking in its approach and mitigating any risks.

During 2021, BoN issued the Financial Technology (FinTech) Regulatory Framework in response to accelerated innovation in the above sector. The Framework is set to enable FinTechs to develop, test and deploy financial services and products that promote efficiency and enhance financial inclusion in the domestic economy. This is done through three (3) different methodologies namely, the Allow and See Approach, Test and Learn Approach and the Regulatory Sandbox Approach.

Banks and Non-banks

We continue to work with a wide range of participants to maintain a self-regulatory regime for the NPS. For the year 2021, we have seen no new entry in terms of system participants.





No.	Name	Status
1.	Banco Atlántico Europa Namibia Branch	Full Member
2.	Bank BIC Namibia	Full Member
3.	Bank of Namibia	Full Member
4.	Bank Windhoek	Full Member
5.	First National Bank	Full Member
6.	Letshego Bank Namibia	Full Member
7.	Namibia Post Limited	Full Member
8.	Nedbank Namibia	Full Member
9.	Standard Bank Namibia	Full Member
10.	Trustco Bank Namibia	Full Member

Table 1: Fully authorised Members of PAN

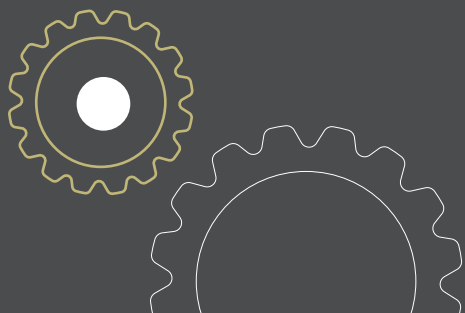
No provisional members for the 2021 financial year.

Service Providers

Table 2 illustrates the range of fully registered Payment Service Providers (PSP) in Namibia as at the end of the reporting year.

No.	Name	Type of Service Provider	Status
1.	Adumo Online (previously 'Wirecard') Namibia (Pty) Ltd	System Operator (E-commerce gateway services)	Fully Registered
2.	ATM Solutions Namibia (Pty) Ltd	System Operator (ATM deployment services)	Fully Registered
3.	Collexia Payments (Pty) Ltd	Payment Intermediation Service Provider (Collector)	Fully Registered
4.	Direct Pay Online Group (previously 'VCS') (Pty) Ltd	System Operator (E-commerce for card-based services)	Fully Registered
5.	EasyPay Namibia (Pty) Ltd	System Operator	Fully Registered
6.	Ecentric Payment Systems Namibia (Pty) Ltd	System Operator (Card-acquiring services)	Fully Registered





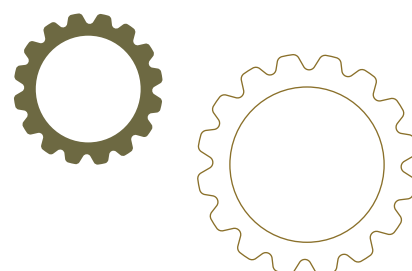
7.	Hyphen Technology Namibia (Pty) Ltd	System Operator (Management and processing services in respect of payment)	Fully Registered
8.	Innervation Value Added Services (Pty) Ltd	System Operator (Integrated card-switching services)	Fully Registered
9.	MobiCash Payment Solutions (Pty) Ltd	Payment Intermediation Service Provider (PISP - facilitator) and System Operator (Integrated card switching services)	Fully Registered
10.	Namclear (Pty) Ltd	Automated Clearing House (Payment Clearing House Service Provider)	Fully Registered (FMI)
11.	National Payment Solutions (Pty) Ltd	System Operator (E-commerce and integrated POS payment processing services)	Fully Registered
12.	PayMate (Pty) Ltd	Payment Intermediation Service Provider (Collecting facilitator – EFT/Cards)	Fully Registered
13.	StayToday Bookings Namibia (Pty) Ltd	Payment Intermediation Service Provider (Facilitator)	Fully Registered
14.	RealPay Namibia (Pty) Ltd	Payment Intermediation Service Provider (Collecting facilitator – EFTs)	Fully Registered
15.	Sci Data Namibia (Pty) Ltd	Payment Intermediation Service Provider (PISP - facilitator)	Fully Registered

Table 2: Payment Service Providers registered with PAN

The following sub-committees of the PMC were approved for the year 2021:

- Card Forum
- Electronic Funds Transfer Forum
- Immediate Settlement Forum
- Electronic Money Forum
- PAN Stakeholder Forum
- Financial Institutions Fraud and Security Committee
- Technology Innovation and Design Forum
- PAN Project Prioritization Committee
- Incident Management Forum

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





MESSAGE FROM THE CHAIRPERSON OF THE CARD FORUM

Overall Performance

With the consistent dedication of the forum members and Chairperson, the Card Forum had a stellar 2021, continually striving to create cost effectiveness, enhancement, and safety in the card fraternity within the NPS. The forum experienced impeccable attendance in forum meetings, workshops, and discussions. Apart from substantial progress, the forum also faced various challenges during the year under review.

Attainments

● Industry E-commerce Project

The E-commerce 3D Secure Standard project was concluded during the first quarter (Q1) of 2021.

● Card Rules and Terms of Reference

Following the extensive work that has been done by the forum to review card rules, PMC resolved to approve the card Terms of Reference (TOR), rules, and the related schedules. These documents were presented to the industry as endorsed by BoN.

● Contactless Limits

The new rules centred on contactless limits presented to BoN for endorsement were approved and subsequently successfully implemented.

● NPS Vision Operational Plan

The year kicked off with introductory discussions pertaining to the NPS Strategy



Set Strauss

Chairperson: Card Forum

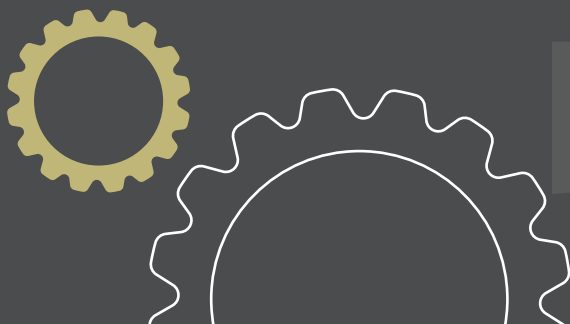
and Vision for the period 2021 – 2025. From these discussions, the forum skillfully selected the goals and initiatives best suited for the stream. The forum drafted a consolidated NPS Vision Operational Plan, in which all existing and new activities were aligned to the identified strategic goals and initiatives. The exercise was coupled with timelines and responsible parties, to ensure that the forum remained attentive and prepared in achieving its objectives.

Challenges

● Fleet Enrichment Solution

The Fleet Data project was initiated and implemented to the point of the review of the Fleet Data specification (standard). A challenge with resources was experienced,





which resulted in the inability to complete the review of the proposed standard by some participants as per the project plan. Consequently, at the end of 2021, a decision was made to assign additional time for the resolution of the challenges and further revision of the project plan in Q1 of 2022.

Opportunities

● Modernisation of Card Rails

As part of the NPS Vision 2025 objectives, the card industry, specifically Namclear, embarked on a project to modernise the NPS card rails by introducing new and innovative card payment methods which include:

- Issuing of QR codes in the Namibian market.
- Enabling push and pull payments using the card rails and QR codes.
- Introducing 3D Secure to facilitate trustworthy e-commerce payments in Namibia.

When implemented, the above mentioned initiatives will bring Namibia to the forefront of card payments within SADC and Africa. Consequently, this will create more opportunities for PSPs to bring their services to Namibia.

Figures 1 and 2 represent the usage of cards in the NPS in comparison to the last five (5) years.

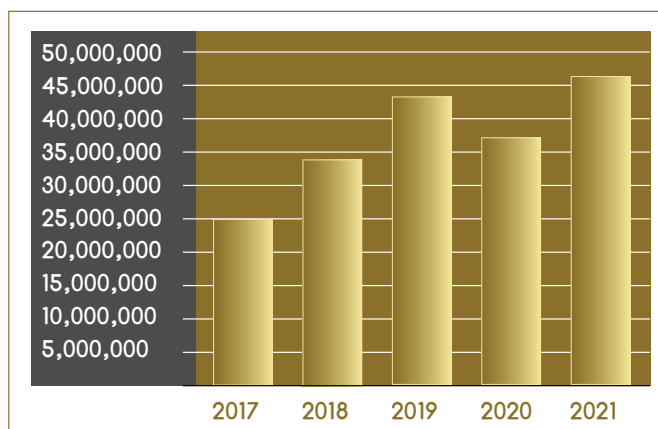
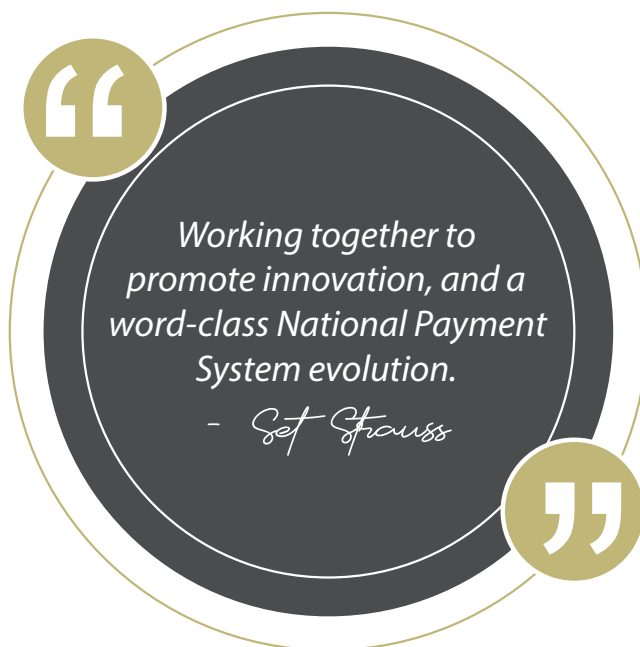


Figure 1: Card transaction volumes, 2017 – 2021

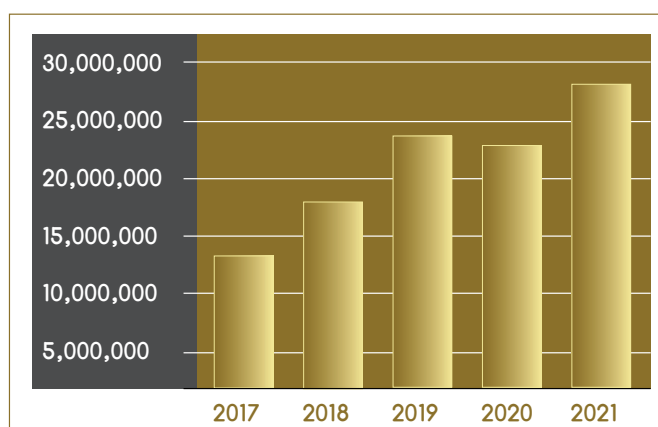
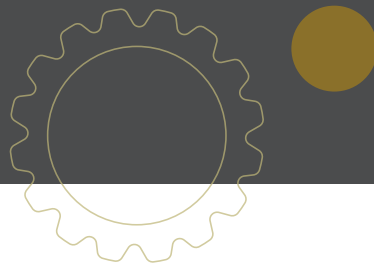


Figure 2: Card transaction values (N\$), 2017 – 2021



MESSAGE FROM THE CHAIRPERSON OF THE ELECTRONIC FUNDS TRANSFER FORUM

In compliance with the Bank of Namibia's Payment System Determination on the Efficiency within the National Payment System (PSD-7), the year under review observed that the EFT Forum fully implemented a brand new, world-class EFT system called NamPay. This was done as a replacement for the former EFT system. The new payment solution introduces greater efficiency and safety in the NPS, by ensuring that EFT payments are processed fast, securely and at a reasonable cost to all NPS stakeholders.

The NamPay system ran parallel with the former national EFT system over the course of 2021, to ensure all banking participants had fully migrated their client bases onto NamPay rails. Over this period, the forum bravely faced various challenges to ensure optimum stabilisation of NamPay prior to the former EFT system's decommissioning on the 31st of December 2021.

Some of these efforts include:

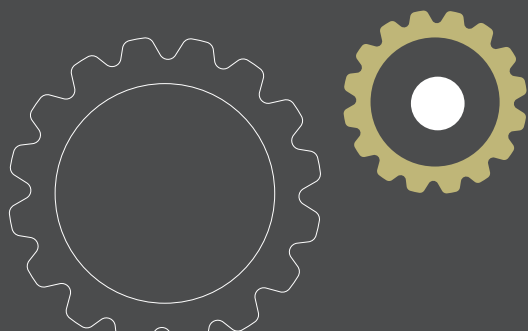
- The constitution of weekly (and ad-hoc) EFT Incident Management Forum (IMF) meetings, which began on the 24th of February 2021 and are aimed at promptly identifying, discussing, and resolving incidents as they arise.
- The completion of a risk-adjusted decommissioning plan for the old EFT system, which was key in ensuring the stability of the stream as it fully crossed over onto NamPay on the 31st of December 2021.



Charlton Draghoender
Chairperson:
Electronic Funds Transfer Forum

- The design and implementation of various technical fixes, to resolve system-related issues impacting the clearing and settlement of transactions.
- The discussion and amendment of various industry clearing and settlement rules to ensure alignment of transaction processing across all system participants.

Looking forward, the year 2022 provides the forum an opportunity to review the current list of continuous improvement change requests, whose gradual implementation should result in further enhancements to transaction processing flows for the benefit of the ordinary Namibian making use of EFT services.



As an outgoing EFT Forum Chairperson, I wholeheartedly commend industry for its tremendous hard work over the course of 2021 and wish them further strength to move the stream forward over the reporting period 2022.

Figures 3 and 4 represent the volumes and values of the EFT in the NPS in comparison to the last five (5) years.

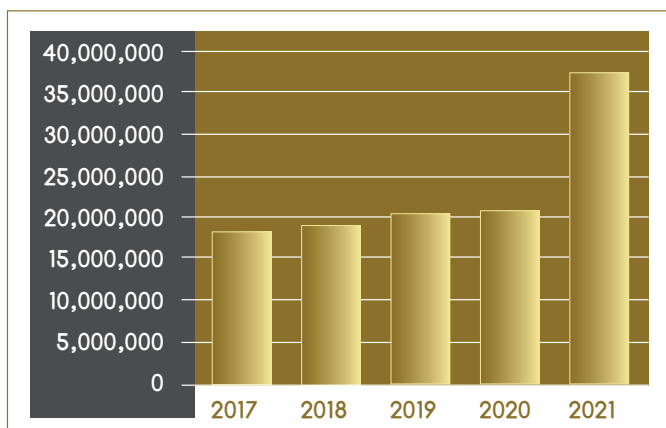


Figure 3: EFT transaction volumes, 2017 – 2021

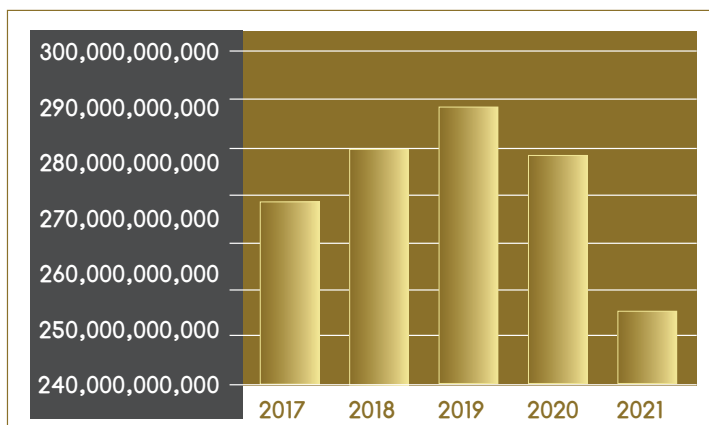


Figure 4: EFT transaction values (N\$), 2017 – 2021





MESSAGE FROM THE CHAIRPERSON OF THE IMMEDIATE SETTLEMENT FORUM

Despite the new normal which we had to adapt to, the participants have been outstanding in supporting the industry to move forward. The key activities deliberated on during the year were the Straight-through-processing (STP) and ISO 20022 projects.

Straight-Through-Processing Project

STP is defined as “an automated end-to-end processing of trades and / or payment transfers, including the automated completion of confirmation, matching, generation, clearing and settlement of instructions, without the need for re-keying or reformatting data.”

Industry’s STP implementation is one of the regulatory projects started in 2020, which was predominantly raised to have an automated end-to-end processing to speed up the transaction process (optimisation) and thereby, allowing transactions to be processed without manual intervention (automation). To ensure a consolidated industry effort by the respective participants to fully land the project, BoN has further issued a directive on STP within the Namibia Inter-bank Settlement System (NISS). As part of this directive, all NISS participants are required to successfully implement STP for NISS transactions on or before the 31st of December 2023.

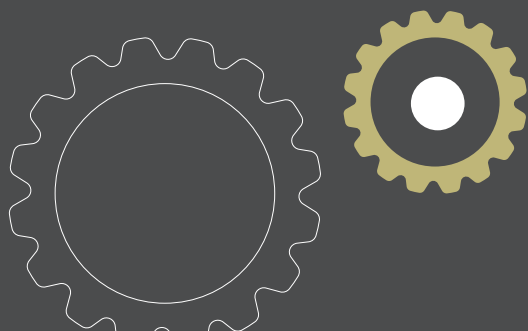


Charlton Draghoender
Chairperson:
Immediate Settlement Forum

SADC ISO 20022 Project

To remain on par with the rest of the world, SADC countries have taken on the ISO 20022 messaging project to enhance the SADC payment systems. The project kicked off in late 2021, with further deliberations and efforts to continue in 2022. This was done following the establishment of an in-country Steering Committee to oversee the Namibian banking industry’s progress.





In closing, I would like to express my sincere gratitude to the Immediate Settlement (IS) Forum for its hard work over the course of 2021 and wish it all the best as it tackles and continues to fulfill its mandate in 2022.

Figures 5 and 6 represent the volumes and values of NISS in the NPS in comparison to the last five (5) years.

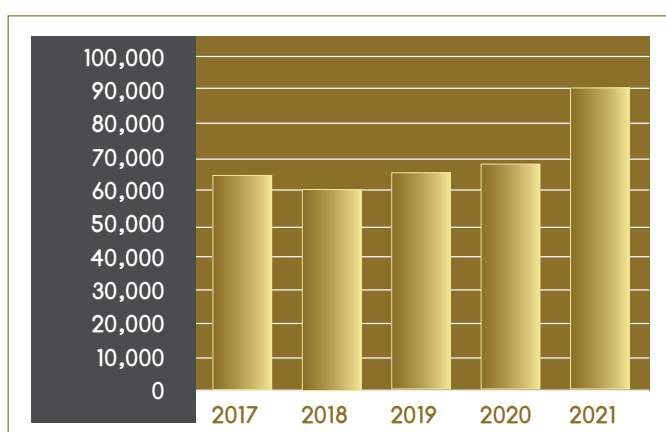


Figure 5: NISS transaction volumes, 2017 – 2021

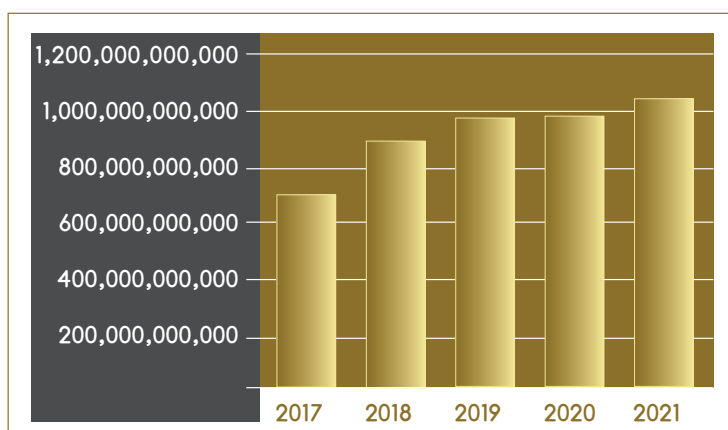


Figure 6: NISS transaction values (N\$), 2017 – 2021





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

The year 2021 continued to be an eventful year in the field of financial crime. The impact of COVID-19 did not dim the will of fraudsters, who continued to try their best to part clients from their funds, and in some cases, succeeding to do so. This has further reaffirmed the need for forums such as the Financial Institutions Fraud and Security Committee (FIFSC) and the continued and collaborative fight against financial crime by the forum members. The economic impact that COVID-19 had on the country, both in terms of reduction in salaries / revenue and job losses, has contributed to the desperation and creativity of fraudsters. On the other hand, clients are falling victim to 'get rich' schemes.

During the year under review, the following efforts of the FIFSC stand out:

- The inclusion of cyber-security / information technology (IT) representatives from all banks on the forum.
- The dissemination of fraud trends and statistics by BoN.
- PAN and South African Banking Risk Information Centre (SABRIC) workshop and plans for a signed Memorandum of Understanding (MOU) between both entities for cooperation and collaboration.
- Discussion of measures to stem the flow and impact of SIM swap-related issues.
- Additionally, commendable progress has been made on the FIFSC's NPS Vision 2025 initiatives.



Rajesh Rajgopal

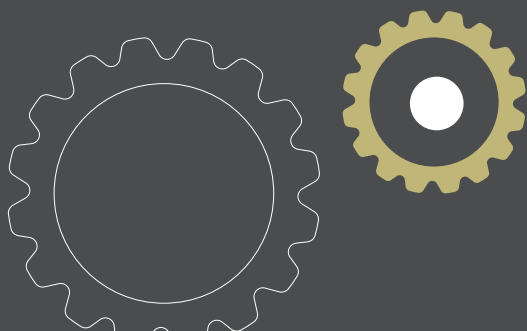
Chairperson: Financial Institutions Fraud and Security Committee

Detailed below are the most prevalent types of fraud experienced in 2021:

● Identity Theft and Account Takeover

This continues to be a consistent and significant contributor in terms of fraud trends seen in Namibia. Fraudsters pose as existing clients of banks with either fraudulent or stolen identity documents, coupled with cloned SIMs, and siphon funds from their victims. In most cases, the funds are lost and not recoverable by the time the real client realises the theft. There is a need for stringent measures such as biometric and other sophisticated systems to be adopted by financial institutions. However, this is a time consuming and expensive process.





◀

In the interim, the Communications Regulatory Authority of Namibia's (CRAN) planned initiative for registered SIMs will help to stem the flow of such matters.

● **Phishing and Vishing**

These refer to the use of fake electronic mails (e-mails) and phone calls to clients, respectively, purporting, in most instances, to be from the bank. Clients continue to fall victim to such attacks from fraudsters, where they subsequently provide their online banking credentials or credit card details leading to siphoning / theft of their funds. Phishing e-mails usually involve messages such as winning of lotteries / schemes, download of tax certificates, fake reporting of fraud instances, COVID-19 related payouts, etc.

Vishing, on the other hand, mainly involve fraudsters posing as bank officials updating records or warning about a fake fraud incident that has taken place or confirming fake payouts of winnings. There have been instances in which fraudsters posed as officials from the Namibian police (Nampol), seeking payouts from clients on the auspices that a case has been registered against their name.

● **Fake Goods and Deposit Scams**

Since COVID-19 has limited the ability of people to travel, especially across the border, clients are falling victim to fake advertisements (especially on social media) with respect to goods that

do not exist. There are also instances where fraudsters provide fake proof of payments to innocent sellers of goods, who then part with their assets assuming payment will be reflected in their accounts.

● **Cryptocurrency Scams**

There has been a significant increase in investment schemes (including forex trading) promising large returns, which mainly involve the purchase of cryptocurrency. A common feature is individuals claiming to be an agent and / or investor, who then seek contributions from members of the public, with the high risk of loss or non-recovery of funds invested, owing to the volatility of the cryptocurrency market.

As financial crime evolves, so do the mechanisms and actions of the FIFSC Forum, in partnership with its stakeholders. Like it is said: "the only thing necessary for the triumph of evil, is for good men to do nothing." Hence, the most important step in the fight against financial crime, remains the vigour and tenacity of the investigator; Nampol and the regulator(s). With that said, the application of sound judgement and awareness by clients in their financial dealings is the easiest way by which clients can protect their funds.

In closing, I would like to thank the members and participants of the FIFSC Forum for their continued support and guidance provided to me, over the course of my chairmanship.

"The only thing necessary for the triumph of evil, is for good men to do nothing."

- Rajesh Rajgopal

MESSAGE FROM THE CHAIRPERSON OF THE ELECTRONIC MONEY FORUM

The COVID-19 pandemic has highlighted the challenges faced by the financially excluded when transacting. With cash becoming a less preferred option for disbursements, more and more citizens are being drawn into the traditional banking services where the cost of transacting is often proportionately higher on the lower value transactions. This then means that the less affluent are often forced to pay more as a percentage of their spending. With many still excluded from the traditional banking channels, the interoperability of e-Money can offer a bridge to financial inclusion provided that the barriers to entry are kept simple and the transactional costs are kept minimal.

Through active participation of the financial and non-financial e-Money institutions in 2020, e-Money adoption and use has grown at a staggering pace, with the pandemic bringing a renewed trust and confidence in e-Money and its digital payment channels. Whilst many of these transactions have remained voucher to cash, there has been a growth of e-Money being used as a payment token for goods and services.

By implementing interoperability, it is construed by the forum that this will enhance the use of e-Money and enable seamless transactions across the various participants, similar to card payment interoperability.

The mandate given to the e-Money Forum is clear; to ensure that full interoperability is achieved by 2025 to include payments between individuals, businesses, and government that enable bank account to e-Money remittance, e-Money to e-Money remittance, and e-Money to bank account remittance. The forum made



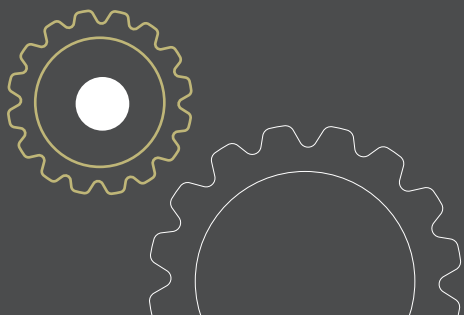
Paul Rowney

Chairperson: Electronic Money Forum

steady progress in 2020, completing the e-Money TOR and principles that underline the processes and rules that will be established by the forum in 2021.

Through PAN, the forum explored continental best practices that identified e-Money interoperability as a relatively new process, with Tanzania being highlighted as the potential reference country. BankServ Africa was noted for its Transactions Cleared on an Immediate Basis (TCIB) scheme that facilitates low-value cross-border transactions between mobile and e-Money operators and banks.

For 2021, the main driver for the forum was the establishment of at least one (1) e-Money Automated Clearing House (ACH) with a target of 70% of participant participation.



MESSAGE FROM THE CHAIRPERSON OF THE PAN STAKEHOLDER FORUM

The past year saw significant socio-economic challenges, both in the global as well as national economy. The year also marked fundamental change in the NPS through the Bank of Namibia's PSD-7 and its implementation.

During 2021, the impact of the global COVID-19 pandemic became ever-more visible with its general regulations being extended. The requirement for reduced face-to-face contact confirmed the importance of electronic and digital payment systems and platforms to facilitate trade and to ensure the wheels of the economy keep turning.

Businesses that responded and adopted digital processes internally along with electronic payments were able to put mitigation measures in place as to the impact of the pandemic. This change towards digital trade and payment platforms as the way in which business is conducted forms a cornerstone of the economic recovery and is expected to remain for the long-term. The Namibian payment industry is vibrant and positioned to respond to these requirements and needs of businesses and consumers.

The PSF is relieved to report that during this difficult time, it did not lose any of its members as a direct consequence of the global COVID-19 pandemic. The commitment of the PSF members, their payment businesses, and staff, to ensure



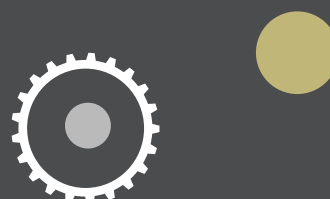
Pieter Swanepoel

Chairperson: PAN Stakeholder Forum

uninterrupted and continued availability of electronic payment services to its users whilst adjusting to the requirements of a different-normal is commendable.

Apart from the pandemic, PSD-7 called for an industry aligned approach to enable a smooth transition. This implementation many a time required the PSF members to go beyond the extra mile in resolving issues and assisting business users as well as consumers with queries. This effort that continues is highly appreciated and reflects the commitment of the PSF members to the efficiency of the NPS and as part of Vision 2025.





Governance

The PSF maintained and increased its activities in the past year. Due to the initiatives underway and intensifying, a monthly PSF operational meeting had been implemented. Meetings were well attended and recorded. The PSF kept the PMC informed of its activities with quarterly PSF activity reports submitted and recorded at the PMC meetings.

Apart from internal meetings, the PSF representatives participated and contributed to the different forums' meetings, as well as industry structures created to assist the transition to EnDO, in particular the weekly incident meetings. All members remained aligned with their obligations under the PSF constitution as well as member resolutions. The PSF is focused on member participation, to ensure informed and aligned participation in the broader NPS structures.

PSF Membership

The payment industry in Namibia is vibrant and expanding, as it's seeing more payment providers participating and providing payment products and services to industry.

The PSF membership increased to a total of 17 non-bank members. The PSF is not restricted to PSPs only, but also includes industry associations representing industries where payment instruments are key enablers of their business models.

NamPay / Enhanced Electronic Funds Transfer Project (PSD-7)

NamPay and EnDO remain a key industry initiative to the PSF. Many of its stakeholders are dependent on the EnDO service in payment collections and reports. The efficiency it brings along in respect of electronic payments, reduction of cash risk and equal participation are core aspects to the PSF members. Difficulty with missing, outstanding, and late responses and double deductions were key issues to be resolved during 2021. The PSF regard the establishment of the weekly incident forum as critical in resolving issues and support stabilisation.

The PSF participates and contributes actively in the structures, however, collaboration with the bank participants remains critical in resolving the issues. As reported previously, the PSF remained closely involved in the projects with its nominated representatives actively participating in the Steering Committee and other project structures. Individual PSPs continue direct liaison with their sponsor banks.

NPS Vision 2025

During the year, the PSF remained focused on Vision 2025. Apart from the quarterly meetings and general focus on supporting the initiatives, specific reviews took place per balanced scorecard in respect of the activities and in support of achieving the strategic goals.



Already, the PSF contributes in the following ways:

● **Strategic Theme 1: Funding and Governance (Objectives 1, 2 & 5)**

1. PSF to be present and utilise their position and representation to assist with the adoption and implementation of the new NPS Governance Model to industry.
2. PSF Forum to be pro-active on new criteria and contribute to the review process to enabling more legislation, regulations, and rules, where alerted of changes.
3. Support the shift to digital payments and new digital payment solutions through the forum's position and representations; actively participate in the e-Money Forum.

● **Strategic Theme 2: Collaboration (Objective 2)**

1. Promote PSF and attract the participation of additional and relevant stakeholders.
2. Establishment and participation in a liaison structure with the Bankers Association of Namibia's (BAN) IT sub-committee and BoN's Cyber-security Forum and foster existing liaison structures.

● **Strategic Theme 3: Consumer-centric Innovation (Objectives 1 & 2)**

1. Achieve balance between debtors and creditors.
2. Support the shift to digital payments and new digital payment solutions through the forum's position and representations; actively participate in the e-Money Forum.

3. Forum to drive awareness campaigns to promote a culture of compliance to NPS standards, rules, and project objectives based on a risk-adjusted approach, with specific reference to the EFT requirements awareness and visibility by PMC initiatives.

● **Strategic Theme 4: Human Resource Capacity Development (Objective 1)**

1. Involve and incorporate PSF representatives in the structures created in the NPS.
2. Ensure proper governance and participation in the PSF initiatives and structures.

PSF Strategic Focus

The maturation phase of the new EnDO stream remains a key short-term focus to the PSF. Industry aspects relating to issues with missing, outstanding as well as late intra-day responses impacting time sensitive industries are key technical aspects.

Although new payment streams require time to stabilise and mature, a deliberate effort is being made by the industry to ensure trust in the new stream end-to-end throughout the value chain from business user to consumer. From this perspective, further education campaigns and rule simplification initiatives will be promoted as key initiatives in the future.

A long-term strategic focus of the PSF include its support to achieving the vision and goals of the Payments Vision 2025.

Conclusion

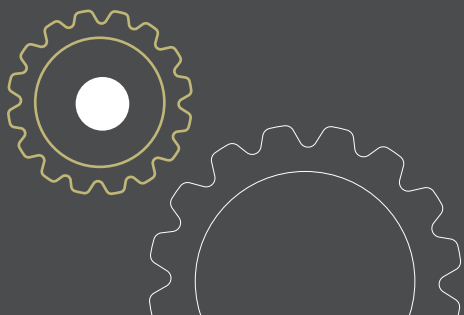
During the past year, the PSF achieved its purpose through robust internal deliberations and participating in and contributing not only to the regulatory and legislative change, but also co-creating the strategy for payments in Vision 2025.

The purpose of the PSF is to provide a discussion forum to foster and facilitate collaboration between the forum's stakeholders in the NPS. The growth in membership and its contribution and participation in industry structures bear testimony to it achieving the purpose.

With significant change implemented in the NPS, the PSF is increasingly required to play an active role in co-creating the future NPS. The journey of payments evolution continues through its wealth of knowledge and expertise obtained over decades of participation. This positions the PSF optimally to contribute to the new structures in the interest of its members as well as the greater good of the NPS.

I thank the PSF leadership, the deputy-chairperson, members and the PSF representatives for their commitment and participation, in particular the time and effort spent in industry forums driving the activities and objectives of the association.

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



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

The SADC Banking Association Payment Scheme Management Body for high-value transactions met three (3) times during the reporting period, to work towards the efficient and effective participation in the SADC Real-Time Gross Settlement System (SADC RTGS) and related matters.

During the year under review, the SADC BA arranged two (2) SADC RTGS ISO 20022 Migration workshops for Namibia. The aim of these workshops was to establish the SADC RTGS ISO 20022 Migration project, to enhance cross-border capacity through the enablement of the ISO 20022 messages for cross-border payments starting from November 2022. An ISO 20022 project charter was formulated and presented to the PAN Prioritization Committee for prioritisation within our in-country governance structures.

In adopting appropriate standards to address gaps in the NPS on cross-border payments in the SADC RTGS, the Namibian participants will comply with the ISO 20022 messaging standards in line with the SADC regional roadmap to align to global best practices. With the virtual 2021 SADC RTGS User Group Conference, delegates not only got updates on the ISO 20022 Migration and its project expectations, but were also updated with lessons learnt from the central banks of Europe, Malaysia, Canada and South Africa on the ISO 20022 Migration approach and technical updates. The opportunities for financial inclusion were shared, while progress was shared with regard to the roll-out of the new TCIB.

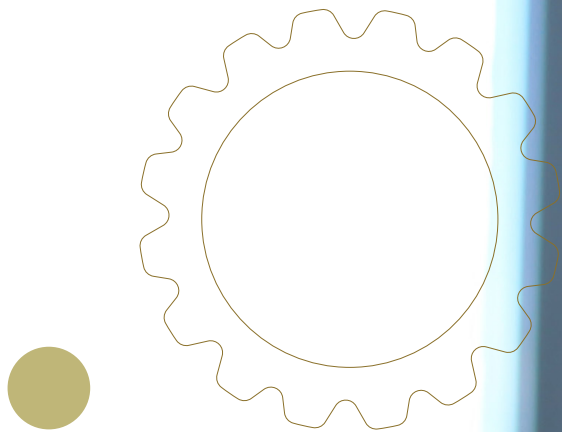


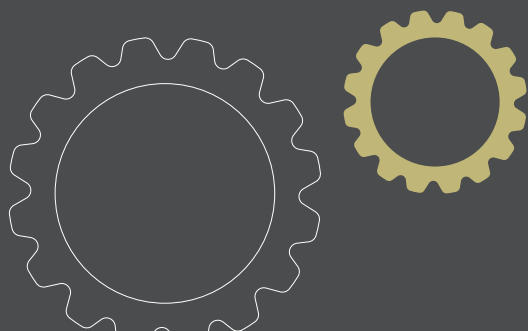
Michelle Mahecic

Member: SADC Banking Association
Payment Scheme Management Body
Representative

Other topics of the conference included, but were not limited to, the African Continental Free Trade area and the impact to SADC. Also, updates from the Association of African Central Bank (AACB) on the topic of payment system integration, payment standard modernisation and opportunities to ISO 20022 Migration were discussed.

The wide variety of topics that impact the region were especially useful to direct matters to the Namibian NPS Vision 2025 strategic goal to enhance cross-border collaboration for regional participation and integration, including national and continental payments for banks and non-banks.





GLOSSARY

Act:

Payment System Management Act, 2003 (No. 18 of 2003), as amended.

Automated Teller Machine (ATM):

An electronic device that operates in conjunction with a processor and network and allows customers to debit an account in exchange for cash and that may allow customers to effectuate account transactions.

Bank of Namibia (BoN):

Namibia's central bank, established in terms of the Bank of Namibia Act, 1997 (No. 15 of 1997).

Banking institution:

An institution authorised to conduct banking business under the Banking Institutions Act, 1998 (No. 2 of 1998), as amended.

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 pre-arranged limit.

Cross-border transaction:

A transaction where at least one (1) 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.



GLOSSARY

Directive:

Such instruction, requirement, rule, or procedure as may be approved by a Forum Participant Group as being binding on all members of that forum and ratified by PAN, or as issued by PAN or by the Bank of Namibia.

Entry and Participation Criteria:

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

Fleet Data project:

The establishment and implementation of the standard for supplemental information related to vehicle (fleet) related purchases by use of a fuel or fleet card.

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).

NamPay:

The enhanced, domestic EFT system based on ISO 20022 messaging standard that has been implemented by the Namibian payment industry.

National Payment System (NPS):

The payment system, which includes any payment system, settlement system or clearing system arrangement used in the process of effecting payment between payers and beneficiaries.

Payment system:

A system that enables payments to be affected between a payer and a beneficiary.

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.

SADC ISO 20022 Migration project:

The migration from SWIFT message type to ISO 20022 messaging standard for cross-border, high-value credit payments among SADC participants.

Scheme:

A collective of governance structures, rules, processes, and instruments that permit payment transactions to be undertaken within SADC in a specific manner.



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