

BANK OF NAMIBIA

No. 2

2008

DIRECTIVE UNDER THE PAYMENT SYSTEM MANAGEMENT ACT, 2003 (ACT NO. 18 OF 2003)

In my capacity as Governor of the Bank of Namibia (The Bank), and under the powers vested in the Bank by virtue of section 13 of the Payment System Management Act, 2003 (Act No. 18 of 2003), I hereby issue the Directive on the Reduction of Cheque Clearing Cycle to 5 Days within the National Payment System in Namibia (PSDIR-2), which Directive shall become effective on 1 April 2008.

T.K. ALWEENDO
GOVERNOR

Windhoek, 28 March 2008

DIRECTIVE ON THE REDUCTION OF CHEQUE CLEARING CYCLE TO 5 DAYS WITHIN THE NATIONAL PAYMENT SYSTEM

Overview

The implementation of Namibian code-line clearing (CLC) system in November 2005 enabled the Namibian banking industry to receive final and irrevocable same day value for inter-bank cheque transactions, and has substantially reduced the uncleared cheques deposited. However, customer value is only realized after between 7 and 21 days and in some instances even longer. Although the CLC system has brought significant benefits to banking institutions, no tangible benefits have been accrued to banks' customer in terms of quicker access to funds deposited. Hence the Bank has requested the banking industry to reduce cheque clearing cycle to 5 days nationally.

On 25 August 2006, the banking industry agreed to implement the 5 day clearing cycle by 30 November 2006. However, this implementation date was not met. Subsequently on 6 December 2007, the industry, after substantial preparatory work, agreed on a final implementation date of 1 April 2008.

1. Purpose

- 1.1 The purpose of this directive is to notify all banking institutions to implement the necessary system, operational and infrastructure changes and re-align their clearing, settlement arrangements and business processes to facilitate the reduction of the cheque clearing cycle to 5 days by 1 April 2008

2. Position of the Bank

- 2.1 The reduction of cheque clearing cycle for customer value remains one of the key objectives of the payment system reform initiative of the Bank and the banking industry as it will ensure efficiency and effectiveness of the National Payment System and speedy access to funds for banking institutions' clients. This objective is consistent with the powers conferred to the Bank by the Payment System Management Act, 2003 (Act No. 18 of 2003) to ensure the safe, secure, efficient and cost-effective operation of the National Payment System.

3. Definitions

In this Directive, unless the context indicates otherwise, the words and expressions used herein shall have same meaning assigned to them in the Payment System Management Act, 2003 (Act No. 18 of 2003) and cognate expressions shall have corresponding meanings.

3.1 '5 day clearing cycle' means the day the customer deposited the funds in his account will be counted as the first day of the 5 day clearing cycle. Days two, three and four will be counted as second, third and fourth working days after the funds have been deposited in customer's account. Day five is counted as fifth working day after the funds have been deposited. At the start of day five the customers shall have access to funds so deposited and receive value.

3.2 'Banking institutions' means a company established to conduct banking business in terms of the Banking Institutions Act, 1998 (Act No. 2 of 1998).

3.3 'Day' means a business day as defined in the Payment System Management Act, 2003 (Act No. 18 of 2003).

3.4 'National Payment System' means the payment system as a whole as defined in the Payment System Management Act, 2003 (Act No. 18 of 2003).

4. Implementation of Directive

4.1 This directive shall be effective from 1 April 2008.

4.2 It is required from banking institutions to implement the necessary system, operational and infrastructure changes and re-align their clearing, settlement arrangements and business processes to facilitate the reduction of the cheque clearing cycle to 5 days by 1 April 2008.

5. General

5.1 This directive is not exhaustive and may be supplemented and/or amended from time to time.

5.2 In order to maintain efficient National Payment System, all banking institutions are obliged to act in accordance with this directive.

5.3 Contravention of this directive is an offence in terms of section 13 of the Payment System Management Act, 2003 (Act No. 18 of 2003) and is subject to penalties under section 17 of the Payment System Management Act, 2003 (Act No. 18 of 2003).

6. Enquiries

Any enquiries or clarification concerning the directive may be address to:

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