



PAYMENTS ASSOCIATION OF NAMIBIA

ANNUAL REPORT **2022**



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LIST OF ABBREVIATIONS

API	Application Program Interface
ATM	Automated Teller Machine
BON	Bank of Namibia
BRD	Business Requirement Document
CNP	Card Not Present
CBPR+	Community-based Participatory Research Plus
COVID-19	Coronavirus Disease 2019
EEFT	Enhanced Electronic Funds Transfer
EFT	Electronic Fund Transfer
E-Money	Electronic Money
ENDO	Enhanced Debit Order
FIFSC	Financial Institution Fraud & Security Committee
FinTech	Financial Technology
IMF	Incident Management Forum
IS	Immediate Settlement
ISO	International Organisation for Standards
NaSia	Namibia Savings and Investment Association
NPS	National Payment System

LIST OF ABBREVIATIONS

PAN	Payment Association of Namibia
PCI DSS	Payment Card Industry Data Security Standards
PMC	PAN Management Council
POS	Point-of-Sale
PSD-4	Payment System Determination on the Card Conduct in the National Payment System
PSD-7	Payment System Determination on Efficiency within the National Payment System
PSF	PAN Stakeholder Forum
PSP	Payment Service Provider
QR	Quick Response
RCSO	Regional Clearing System Operator
SADC	Southern African Development Community
SADC-RTGS	SADC Real Time Gross Settlement System
STP	Straight Through Processing
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCIB	Transactions Cleared on an Immediate Basis Payments
TOR	Terms of Reference

PAN PURPOSE

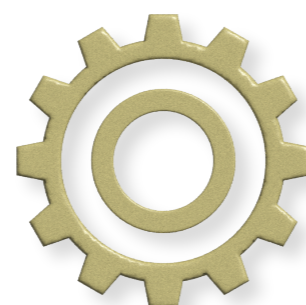
To fairly, equitably and transparently manage and regulate the participation, innovation and development of the National Payment System and its stakeholders, to the benefit of the Namibian nation.

**PAN MISSION**

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

PAN VISSION

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

**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 as well 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.

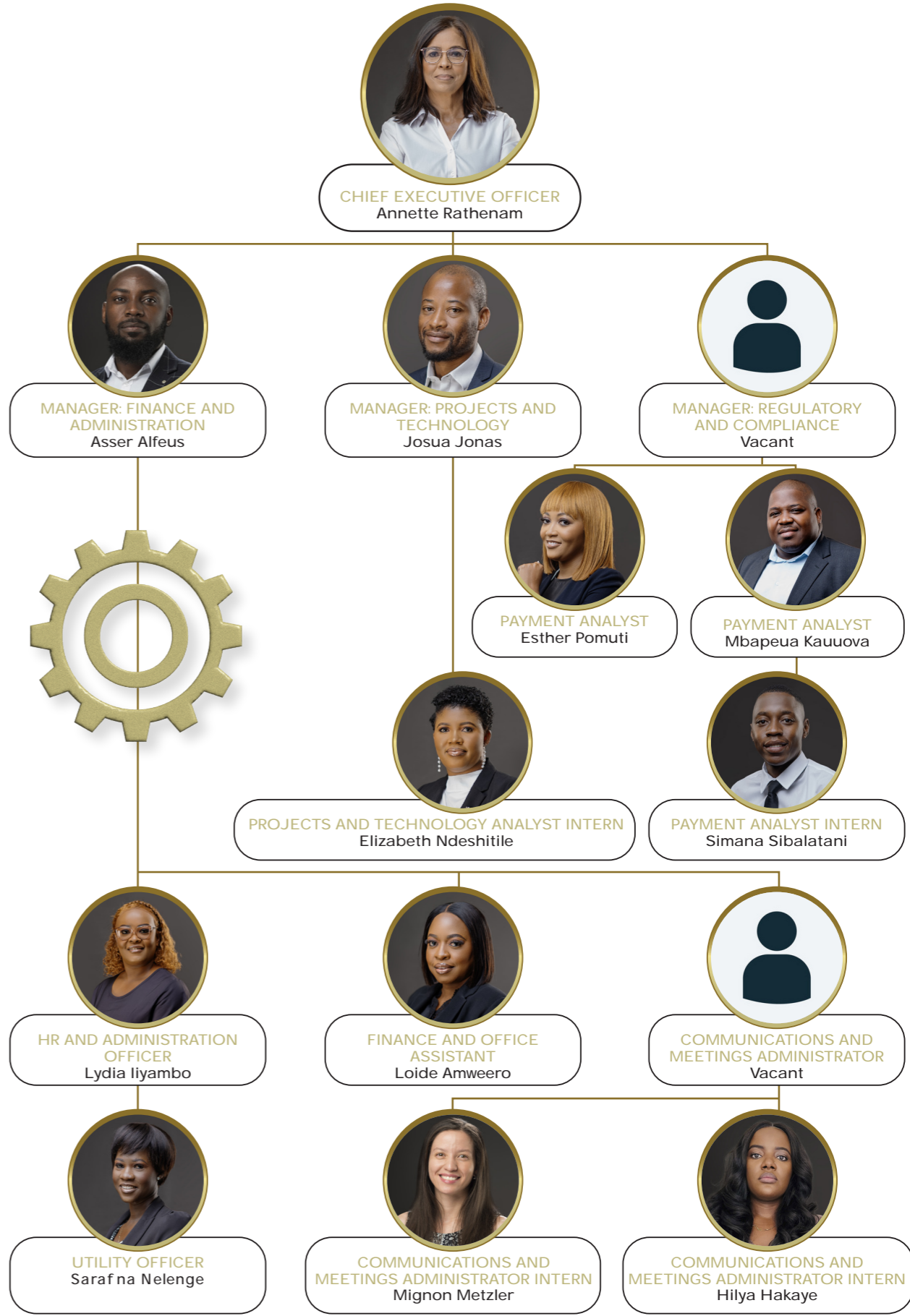
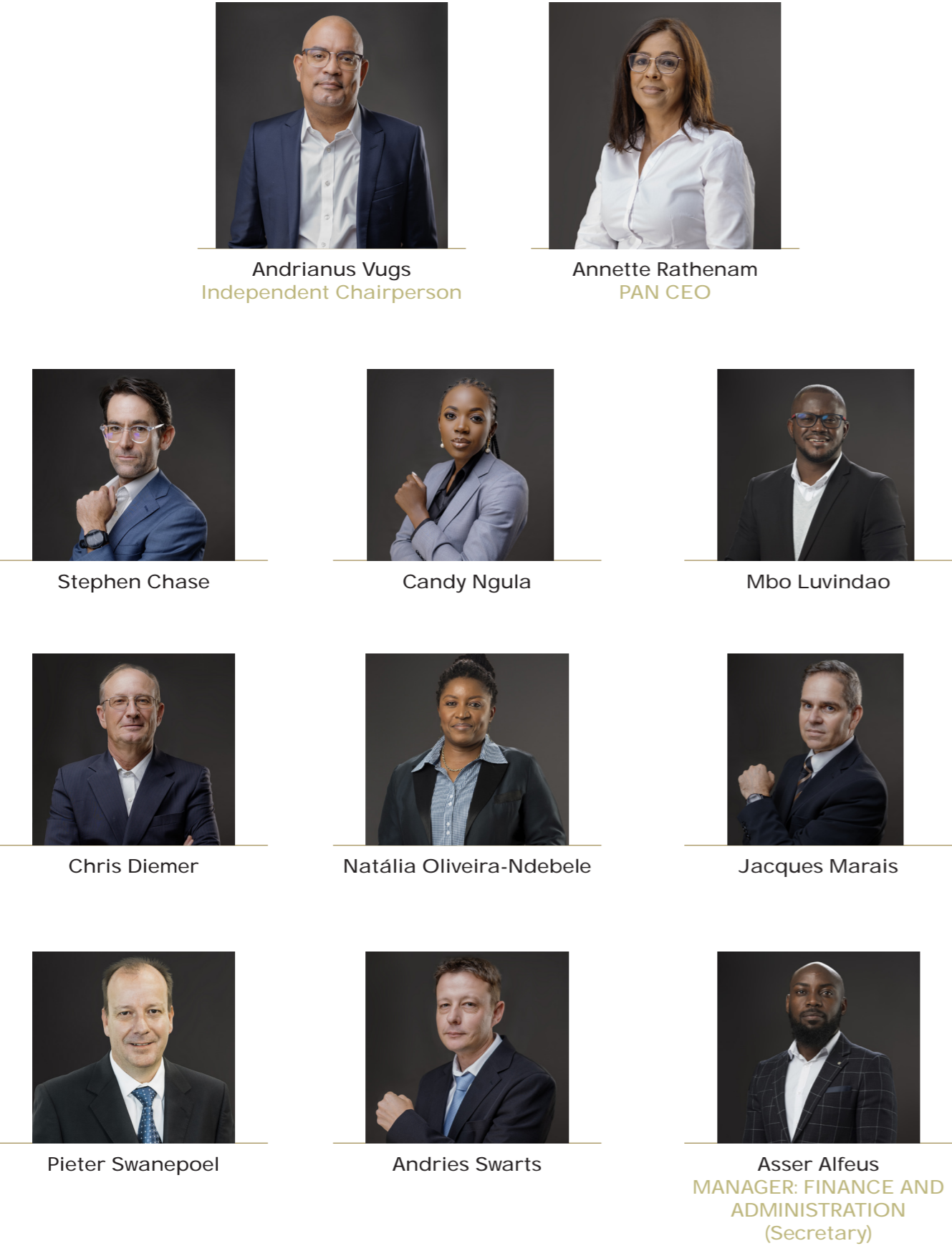
TEAMWORK

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.



ORGANOGRAM - PAN MANAGEMENT COUNCIL (PMC)

ORGANOGRAM - PAN EXECUTIVE OFFICE



MESSAGE FROM THE PAN INDEPENDENT CHAIRPERSON

From Vision 2021 to 2025, strategic goals were driven to attain the vision of being a world-class national payment system at the forefront of digital innovation and transformation, facilitating economic activity in support of Vision 2030. We continue to enable the efficiency, resilience, adaptability, and accessibility of the national payment system.

While the payments system is evolving rapidly, much of the work of the PAN Management Council (PMC) over the past year has focused on supporting this evolution, while regulations in relation to safety and security of the Namibian payments system were issued in support and promotion of both existing and future innovative solutions.

To ensure efficiency, fairness, and transparency in the governance of PAN and the NPS, new and that effective models in governance are pursued by the PMC and the Executive Office, our proposed governance model has been submitted for consideration in the Payment System Management Bill.

Furthermore, in order to recognise the expansion of the industry beyond its traditional banking institutions and ensuring greater representation in decision-making, the PAN governance structures incorporated the non-bank

fraternity to participate within the Forums and the PAN Management Council.

Based on substantive evidence of customers consistently shifting to electronic payments, the industry continues to promote the consumer-centric innovation strategic goal of the Vision 2025, through the facilitation and promotion of collaboration between NPS stakeholders. While NAMPAY electronic fund transfers include enhanced debit orders, enhanced credit, and near real-time credit transfers, our state-of-the-art payments infrastructure supports interoperable card payments which include POS ATM, and contactless options.

With the modernisation of payments, we have expanded both regionally and nationally. With the successful collaboration of domestic and cross-border stakeholders, the migration to the ISO 20022 payments messaging on the High-Value Clearing stream continues to enhance payments serving customers more efficiently.

I wish to acknowledge the Bank of Namibia, my fellow Council members, and all the stakeholders of PAN. I am appreciative of the PAN staff and the industry as a whole for resolutely carrying out the implementation of Vision 2021–2025.

Adrianus Vugs
PAN CHAIRPERSON



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Through ensuring that policy inputs are aligned with our current governance review, the objective is to warrant that the PAN Constitution and governance structures are fit for the future and therefore, the centre of our evolution as an organisation, as our membership continues to grow.

While upholding existing standards that are adhered to, safeguarding the integrity, safety, and security of the national payment system remains equally high on the agenda. As such, ensuring fraud and security measures remain a top priority for both PAN and the industry. In order to determine which standards to adopt each year, PAN continuously evaluates the national and international landscape. The industry has been consulted regarding the latest regulations on operational and cybersecurity standards within the national payments system, which will be effective on the 1st of July 2023, and implementation is underway. A Cyber Security Council was launched through collaborative efforts between the industry and The Bank of Namibia. The Council will devise cyber security strategies for the industry and enable collaboration and dissemination of information on threats, vulnerabilities, and incidents.

The international drive to enhance cross-border payments also commenced in our jurisdiction. PAN is in support of improving the efficiency of cross-border-payment services, which in most instances fall short of end-user experience compared to domestic payments. Foster-

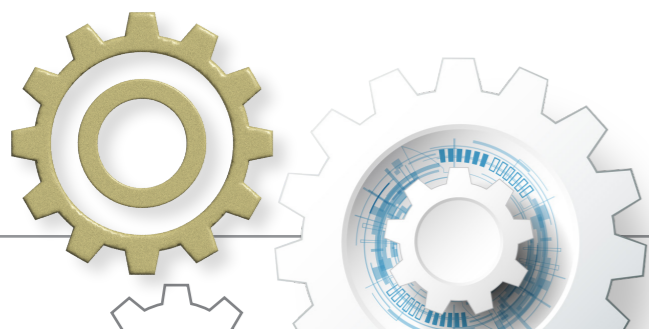
ing relations with national and cross-border stakeholders, the modernisation of national and cross border payments for the High-Value Clearing Systems is underway through the adoption of and migration to the ISO 20022 standard for payment messages. We are confident that the enhanced data the ISO 20022 messages' enriched data content will lead to a more automated payment process experience for the customer. The banking industry is participating in both the national and cross border industry led projects.

With the NAMPAY and card rails operating on the ISO 20022 and ISO 8583, respectively, our industry is committed to complying with the BON position paper on interoperability. However, the digital wallets, which process will be rolled out during 2023, is an exception.

In support of and promoting innovative and transformative payment solutions, the Open Banking Forum was established in line with the Open Banking Position Paper on the Feasibility and Adoption of Open Banking within the Namibian Financial Sector. The industry will continue the deliberations to work toward setting and implementing the relevant standards.

We certainly look forward to build on our Vision 2025 goals annually and is confident that with the continued support of the Council, stakeholders and staff, we would continue to enhance the payments ecosystem of Namibia for the benefit of each Namibia.

Annette Rathenam
CHIEF EXECUTIVE OFFICER



MESSAGE FROM THE MANAGER: PROJECTS AND TECHNOLOGY

The implementation of the NPS Vision 2025 is characterized by the continuous exploration and implementation of the most valuable and meaningful initiatives in the payments landscape. The second year of the NPS 2025 Vision has seen extensive exploration to assess the feasibility of various initiatives. During this period, numerous exploration work was carried out to determine the viability of various initiatives. Additionally, several projects have been initiated or implemented. The following are the most noteworthy projects:

- Namibia Interbank Settlement System (NISS) ISO20022 Migration
- SADC Real Time Gross Settlement (RTGS) ISO20022 Migration
- SWIFT Cross Border Payment and Reporting (CBPR+) ISO20022 Migration
- Fleet Card Data enrichment standard
- Card Interchange Fee implementation

The ISO20022 migration projects are multi-year initiatives aimed at achieving meeting SWIFT's requirement to implement the ISO20022 messaging stan-

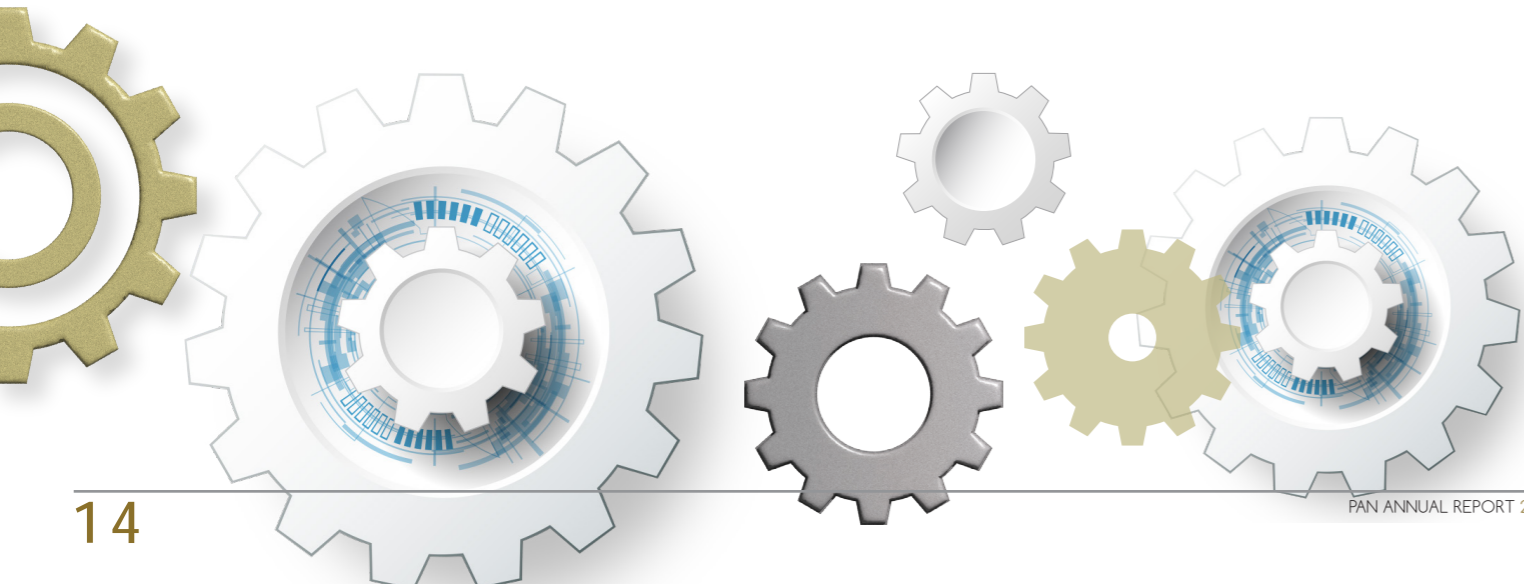
dards by November 2025. However, the SADC and NISS ISO20022 projects are expected to be implemented by October 2023. All ISO20022-related projects fall under the Immediate Settlement (IS) forum.

The Card Forum introduced a fleet card data standard that is intended to facilitate the interoperability of fleet-related data among participating institutions in the domestic card environment. In the same year, the Card Forum also implemented the necessary changes for the card interchange fees following the issuance of the Determination of Card Interchange and ATM Surcharging (PSD 11) by the Bank of Namibia, during the review period.

The EFT forum has not initiated or implemented any large-scale project. However, exploration efforts were undertaken to improve the recently deployed NamPay solution. During the year under review, the the Forum's primary focus was ensuring stability of NamPay and several small-scale changes were implemented to achieve this objective.

Josua Jonas

MANAGER: PROJECTS AND TECHNOLOGY





Mbapeua Kauuova
ACTING MANAGER: REGULATORY
AND COMPLIANCE

MESSAGE FROM ACTING MANAGER: REGULATORY AND COMPLIANCE

The Namibian payments industry has undergone significant changes due to the impact of the COVID-19 pandemic, resulting in a faster transition towards digital payments. The industry has also adopted the new NPS Vision 2025, which spans from 2021-2025. As the Regulatory and Compliance Risk Manager at the Payments Association of Namibia, I will provide an overview of the regulatory and compliance landscape in the industry. Over the past year, there have been notable mega payment trends, developments in interoperability, emphasis on cybersecurity, and a focus on payment standards.

The participants involved in the Card stream, facilitated by Namclear, have conducted comprehensive research into global best practices for modernizing the card rail. Their efforts have focused on introducing new payment functionalities including QR codes, Push Payments, and enhancing the capabilities of 3DS within the National Payment System (NPS). The newly implemented EFT system (NAM-PAY) has revolutionised the EFT stream by ensuring that EFT payments are processed fast, securely, and at a reasonable cost to the NPS. The E-money stream has been in serious discussions with relevant stakeholders to implement interoperability within the e-Money streamline with the NPS Vision 2025 for all streams to be fully interoperable. The PAN Stakeholder Forum (PSF) has continued in providing an immense contribution to all payment issues in the NPS.

MEGA TRENDS WITH RELEVANCE TO THE NAMIBIAN MARKET:

Over the past year, the payments industry in Namibia has seen a notable increase in

the adoption of digital payments. Due to the COVID-19 pandemic, consumers have become more conscious of the importance of contactless payments. Consequently, we have seen an increase in the use of mobile payments and other digital payment channels. The Payments Association of Namibia has been collaborating with payment service providers to ensure that these payment channels are secure, efficient, and affordable for consumers and businesses.

FRAUD

Fraudulent payment activities pose a major risk in Namibia, impacting financial institutions, businesses, and consumers. To mitigate this risk, it is of paramount importance to increase awareness of fraud and education for provide education to both consumers and businesses. Furthermore, the use of advanced technology such as data analytics, biometric authentication, and multi-factor authentication can prevent fraudulent activity. Additionally, regulatory oversight to enforce risk management, cyber security, and operational resilience guidelines can promote accountability and reduce fraud in the payments system. These measures can help create a more secure and trustworthy payment ecosystem in Namibia.

PAYMENT CARDS INDUSTRY DATA SECURITY STANDARDS (PCI DSS) COMPLIANCE

We are pleased to provide an update on our continuous efforts towards complying with the Payment Card Industry Data Security Standards (PCI DSS). Despite the complexity of the requirements and the challenges in allocating sufficient re-



sources, we remain committed to fulfilling these requirements. With the industry's active efforts in addressing these challenges, we are assured that we will achieve full compliance by 2025. We are excited to inform you about the latest release of a major update to the PCI Data Security Standard, which transitions from v3.2.1 to v4.0, following a review period of over two years. We are confident that the extensive updates in version 4.0 will help address the challenges within the PCI DSS environment and ensure the highest level of data security for our customers.

INTERCHANGE

Affordable interchange rates are of utmost importance to the Bank of Namibia (the Bank), and as such, the Bank conducted an interchange costing exercise during the 2021 financial year. This exercise was completed by the end of the year, and the cost information was rigorously analyzed and validated. The data was then used to derive cost-based interchange rates for debit, credit, and hybrid card transactions at point-of-sale platforms and ATMs. The interchange rates were issued through the Determination on Card Interchange and ATM Surcharging (PSD-11) on April 28th, 2022. The new fuel and retail rates were implemented ahead of schedule, on the 22nd of August 2022, and 30th of September, 2022, respectively, well before the PSD-11 Effective Date of 1st October, 2022. The Bank remains committed to setting reasonable interchange rates that benefit both our customers and the industry overall.

GOVERNANCE

As we approach the midpoint of our NPS Vision 2025 journey, PAN recognizes that maintaining proper corporate governance is still a crucial point for our organization. To ensure efficiency, fairness, and transparency in the governance of PAN and the NPS, we are working with PMC and the Executive Office to explore new and effective models. Our proposed

governance models have been submitted for consideration in the draft Payment System Management Bill, and we are confident that they will be incorporated. We believe that effective governance requires collaboration and inclusivity.

As such, we are pleased to invite non-banking institutions, such as the Namibia Savings and Investment Association (NaSia) and the Retail Association, to participate in the PAN Stakeholder Forum (PSF). Their participation in pertinent conversations enhances transparency and ensures that we consider a broad range of perspectives when making decisions. We remain committed to upholding proper corporate governance practices that promote accountability and transparency in all our operations.

REGULATIONS, ENTRY AND PARTICIPATION CRITERIA

In light of innovations in the Namibian Payments System, it is of paramount importance to have regulatory oversight that facilitates progress while mitigating risks. To this end, PAN has initiated a review process of its entry and participation criteria.

In 2022, the Bank issued two critical determinations, namely the Determination of the Conduct of Electronic Funds Transfer-Transactions in the National Payment System (PSD-9) and the Determination of the Operational and Cybersecurity Standards within the National Payment System (PSD-12). These determinations serve to establish and enforce correct standards and protocols for the processing of cross-border transactions, as well as to establish key principles and risk indicators for the management of cybersecurity and operational resilience by service providers and system participants in the National Payment System.

Regulatory oversight must remain a top priority in the Namibian Payments System to ensure that the system continues

to facilitate progress while mitigating potential risks.

MEMBERS

Our commitment to maintaining a strict self-regulatory culture remains unwavering as we strive to provide an efficient and affordable National Payments System (NPS) to the public. We work collaboratively with a diverse group of stakeholders to ensure that our self-reg-

ulatory regime is upheld. In 2022, we have observed no new service providers or system participants, which in return strengthens our determination to maintain rigorous standards while ensuring that our NPS is accessible and affordable to all. We will continue to prioritize the well-being of our stakeholders by promoting a culture of self-regulation, transparency, and accountability in the NPS.

Table 1: Fully authorised members of PAN

Name	Status
Banco Atlántico Europa Namibia Branch	Full Member
Bank BIC Namibia	Full Member
Bank of Namibia	Full Member
Bank Windhoek	Full Member
First National Bank	Full Member
Letshego Bank Namibia	Full Member
Nampost	Full Member
Nedbank	Full Member
Standard Bank	Full Member
Trustco Bank	Full Member

PAN had no provisional members for the 2022 financial year.

SERVICE PROVIDERS

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

Table 2: Payment service providers registered with PAN

Name	Type of service provider	Status
Adumo Online (previously 'Wirecard') Namibia (Pty) Ltd	System Operator (ecommerce gateway services)	Fully Registered
ATM Solutions	System Operator (Automated teller machine deployment services)	Fully Registered
Collexia	Payment Intermediation Service (Collector)	Fully Registered

Direct Pay Online	System Operator (E-commerce for card-based services)	Fully Registered
EasyPay	System Operator	Fully Registered
eCentric	System Operator (Card-acquiring services)	Fully Registered
Hyphen Technology Namibia	System Operator (Management and processing services in respect of payments)	Fully Registered
Innervation	System Operator (Integrated)	Fully Registered
Namclear	Automated Clearing House (Payment clearing house service provider)	Fully Registered (Financial Market Infrastructure)
MobiCash Payment Solution (Pty Ltd)	System Operator (integrated card switching services)	Fully Registered
PayMate	Payment Intermediation Service (Collecting facilitator – PISP EFT/ Cards)	Fully Registered
Payat Service (Pty) Ltd	Payment Intermediation Service Provider (PISP Facilitator)	Fully Registered
PayToday	Payment Intermediation Service Provider (PISP Facilitator)	Fully Registered
RealPay	Payment Intermediation Service (Collecting facilitator PISP – EFTs)	Fully Registered
Selcom Payments Namibia (Pty) Ltd	Payment intermediation service provider (PISP - facilitator)	Fully Registered
Virtual Card Services Namibia (Pty) Ltd	Payment intermediation service provider (PISP - facilitator)	Fully Registered

The following sub-committees of the PMC were approved for the year 2022:

- Card Forum
- Electronic Funds Transfer Forum
- Immediate Settlement Forum
- E-money Forum
- PAN Stakeholder Forum
- Financial Institution Fraud & Security Committee
- Technology Innovation and Design Forum
- PAN Project Prioritization Committee
- Incident Management Forum

In line with the NPS Vision 2025, PAN remains committed to promoting financial inclusion, cyber security, and interoperability across all payment streams. We recognize the importance of providing a

transparent and equitable environment for all stakeholders while fulfilling our mandate under the Act. To achieve these objectives, we will continue to play an influential role in modernizing the payment infrastructure of the industry. We will also ensure that the NPS infrastructure, rules, standards, and bylaws are optimized to support and facilitate innovation. As we strive to meet these goals, we remain committed to maintaining the highest standards of cyber security and data protection to safeguard the integrity of the NPS. We believe that by prioritizing financial inclusion, innovation, and cyber security, we can create a payment ecosystem that serves the needs of all Namibians.





Set Strauss
CHAIREPERSON:
CARD FORUM

MESSAGE FROM THE CHAIRPERSON OF THE CARD FORUM

OVERALL PERFORMANCE

As Card Forum Chairman, I am delighted to report that 2022 was a remarkable year for our community. Our members demonstrated dedication, commitment, and hard work, achieving several significant milestones throughout the year. Despite the pandemic, we maintained a high level of member engagement and implemented new initiatives to improve communication and experience. We successfully navigated challenges, adapted to the changing landscape, and continued to provide value to our members. I commend the hard work and contributions of our members, whose commitment to success was inspiring. I look forward to more collaborations to further build an even stronger and more vibrant community in the years ahead.

COMPLIANCE WITH PCI DSS

The Card industry has made significant efforts towards achieving 100% compliance with the Payment Card Industry Data Security Standard (PCI DSS), a critical requirement for secure and protected payment card information. We are delighted to report that considerable progress has occurred in this regard, and we are on track to achieving 100% compliance soon. Compliance with PCI DSS is vital in ensuring that the National Payment System is in line with the Operational and Cybersecurity Standards of PSD-12, and that we remain committed to maintaining the highest security standards to prevent fraud and theft.

PROJECTS

In addition to our efforts toward PCI DSS compliance, we are proud to announce the successful completion of the Fleet Card Enrichment Solution project. This objective of this project was aimed at improving the functionality and effectiveness of fleet card programs, and we are excited about the potential benefits that this solution will bring to our members.

MODERNISATION OF CARD RAILS

We are pleased to express our enthusiasm for the ongoing modernization efforts in the realm of card rails. These initiatives encompass the implementation of QR code transactions, which offer swifter and more streamlined payment processes compared to conventional methods. We firmly believe that this innovation will bring about a transformative shift in the payment landscape, and we are dedicated to providing unwavering support to our members as they embrace this cutting-edge technology.

Finally, we are working to improve the security of online transactions through the implementation of 3D security protocols. These protocols provide an additional layer of security for online transactions, helping to protect against fraud and theft. We are committed to ensuring that our members are fully equipped to meet these security requirements and that their customers can enjoy safe and secure online transactions.



Volumes and Values

Figures 7 and 8 below illustrating the card transaction volumes and values from 2018 to 2022. These figures provide a comprehensive overview of the changes and trends in card usage during this period and will be a valuable resource for analyzing the state of the payment card industry.

Figure 7: Card transaction volumes, 2018 – 2022

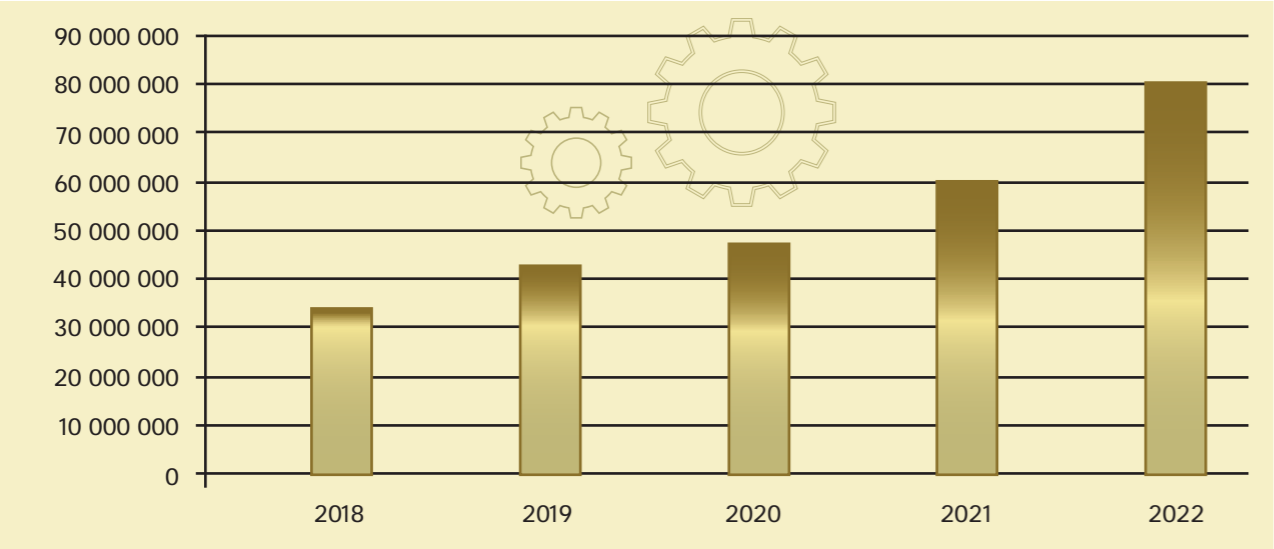
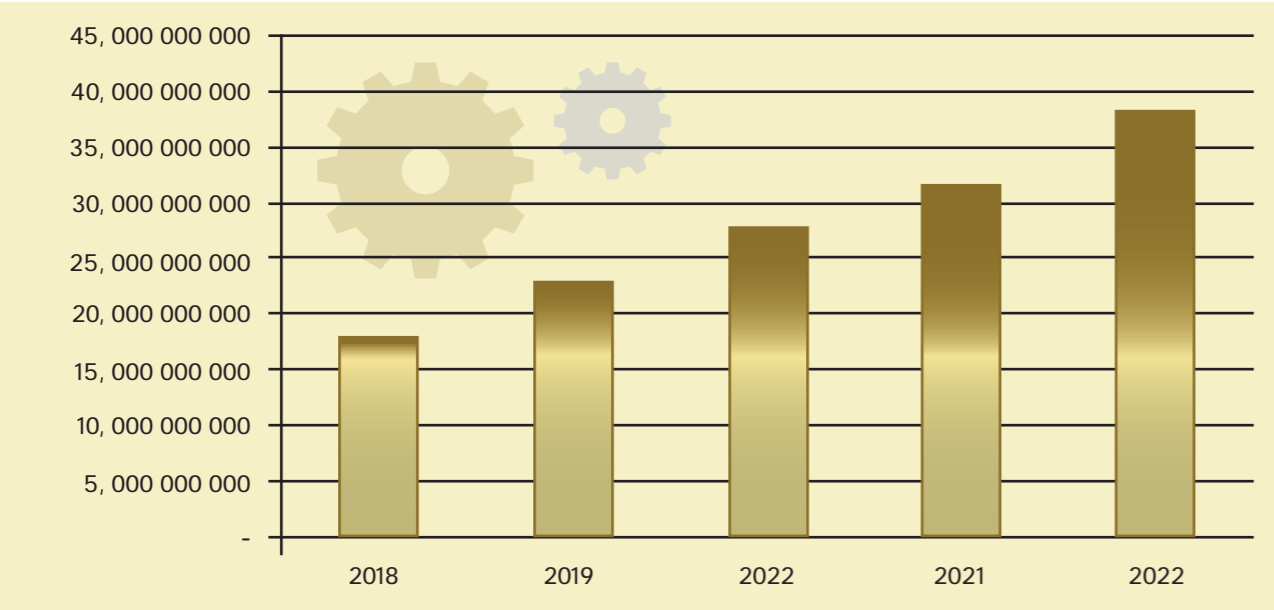


Figure 8: Card transaction values (N\$), 2018–2022



Figures 7 and 8 show an increase in card transaction volumes, by 20 million, and values, by N\$6.5 billion, between 2021 and 2022. This growth can be attributed to the post-COVID advantages and a low interest rate environment, which enabled businesses and individuals to conduct more card transactions. Moreover, the

rise in volumes and values was facilitated by the increase in loans and advances in Namibia during the same period. These findings highlight the significant impact of macroeconomic factors on the payment card industry and underscore the need for continued analysis and adaptation.

CONCLUSION

In conclusion, complying with the Payment Card Industry Data Security Standard (PCI DSS) is crucial to ensuring the safety and security of payment card information. The progress made towards achieving 100% compliance is a testament to the dedication and commitment of the card industry to maintaining the highest security standards.

The completion of the Fleet Card Enrichment Solution project and the modernization of card rails are exciting develop-

ments that will improve the functionality and effectiveness of fleet card programs while also revolutionizing the way payments are made. The implementation of 3D security protocols for online transactions is a necessary step towards preventing fraud and theft in the digital age. As the card industry continues to evolve and innovate, we remain committed to supporting our members and ensuring that they are fully equipped to meet these security requirements. We are confident that these efforts will lead to a safer and more secure payment system for all.





Fernando Paulus
CHAIRPERSON: ELECTRONIC
FUNDS TRANSFER FORUM

MESSAGE FROM THE CHAIRPERSON OF THE ELECTRONIC FUND TRANSFER FORUM

The EFT Forum in 2022 garnered a significant turnout of key stakeholders and external representatives, with constructive discourse facilitated through engaging discussions and workshops. The sessions yielded valuable takeaways, with participant discussions focusing on system improvements, public gratification, adherence to Bank of Namibia (BoN) directives, determinations, and the efficacy of the National Payments System (PSD 7) and (PSD 9). These insights underscore the importance of collaboration and information sharing among stakeholders to drive positive change and innovation in the payment industry. The success of the 2022 EFT Forum highlights the value of such events as a platform for industry stakeholders to convene and collaborate in pursuit of common goals.

DECOMMISSIONING OF THE LEGACY EFT SYSTEM

On December 31, 2021, all EFT participants successfully completed the migration of the total transaction volume from the legacy EFT system to the newly enhanced EFT system, NamPay. As a result, the decommissioning plan for the legacy EFT system was successfully implemented. This exercise was carried out through various phases until completion.

CONTINUOUS IMPROVEMENTS

Following a review of the continuous im-

provement items from the previous year, the forum has implemented several measures to enhance the transaction processing flow. These measures will benefit stakeholders and ordinary Namibians who use EFT services. Some of the improvements include adjustment of internal cut-off times to mitigate volume flow closer to final response times, improvements and adjustments to dispute processes, and enhancements to NRTC (Network Real Time Communications) SLA (Service Level Agreement) timers.

CHALLENGES

During the early stages of the financial period, the weekly EFT Incident Management Forum (IMF) encountered significant challenges, leading to a high number of open issues and incidents logged against participants. Despite this, the forum proved to be effective in addressing and substantially reducing the incidents and issues logged to satisfactory levels. As we look forward to 2023, the industry is preparing to welcome Nampost into the EFT space of the NPS, and we commend their efforts and wish them success with their on-boarding plans. Additionally, the industry is committed to supporting and being compliant with the Namclear ISO20022 maintenance plan, as well as other continuous improvement initiatives and enhancement projects currently in progress by system participants.



VOLUMES AND VALUES

The volumes and values of electronic fund transfers (EFT) are important indicators of the growth and health of the financial industry. Figure 9 and 10 provide an overview of the volumes and values of EFT in the National Payment System (NPS), as well as provide a comparison to the trends observed over the last five years.

Figure 9: EFT transaction volumes, 2018 – 2022

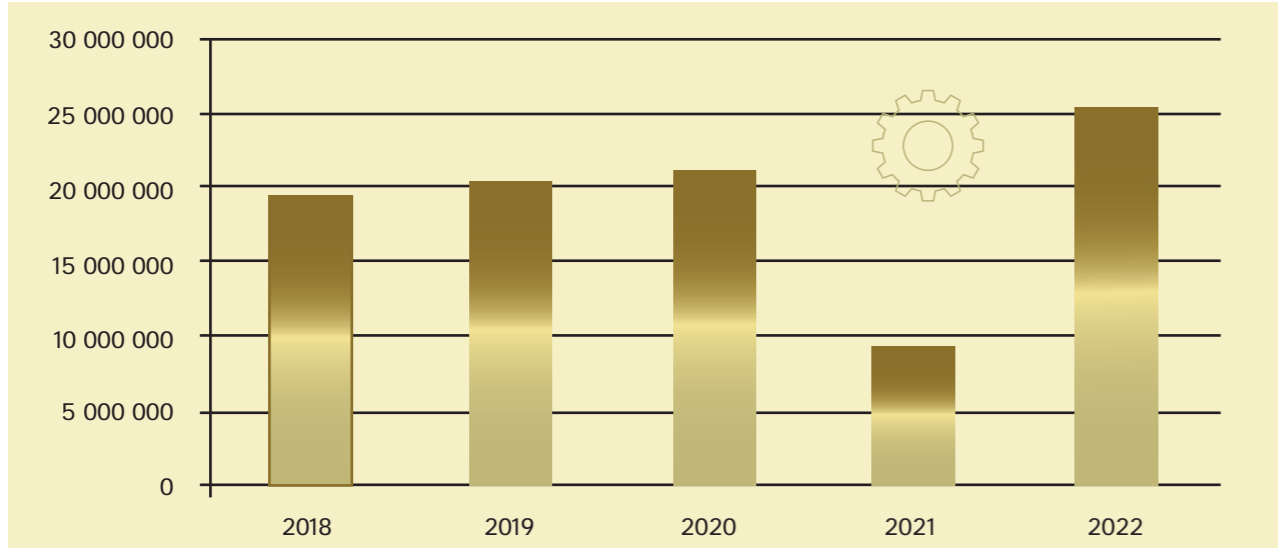
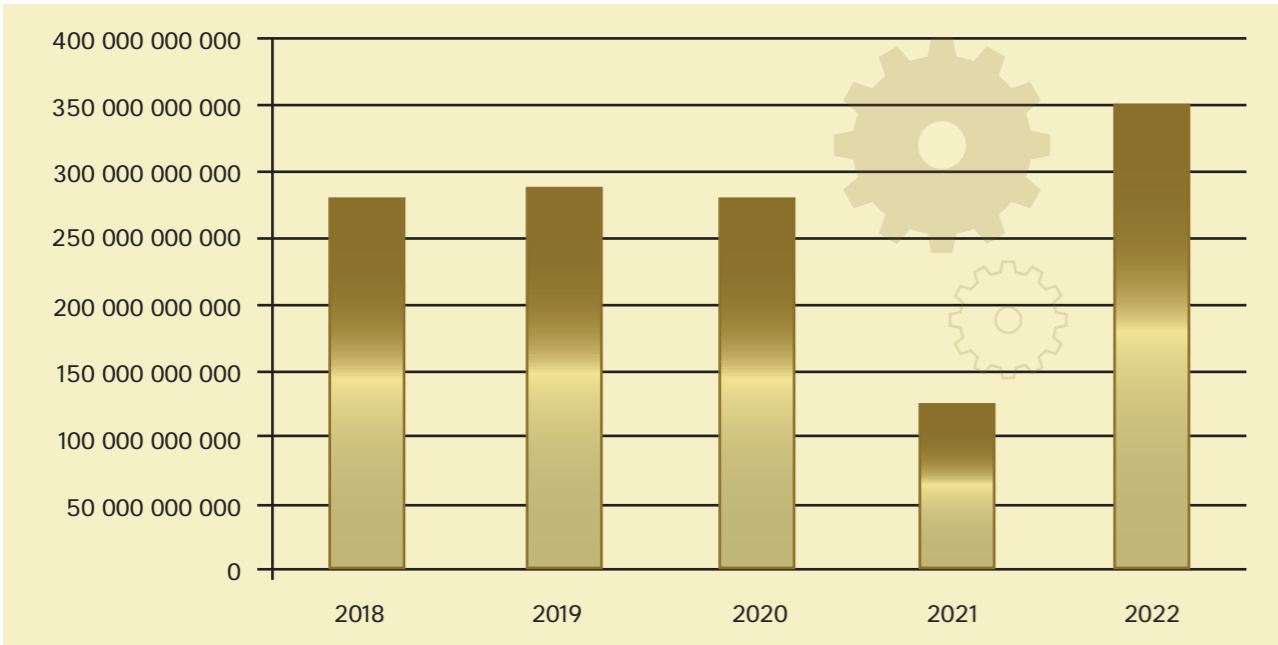


Figure 10: EFT transaction values (N\$), 2018 – 2022



The analysis of Figures 9 and 10 shows that the EFT transaction volumes and values saw a significant increase between 2021 and 2022, attributed to post-Covid advantages and a low interest environment. The results have enabled businesses and individuals to conduct more electronic transactions. The growth in volumes and values were supported by the increase in loans and advances in Namibia during the same period.

CONCLUSION

I am humbled to have had the opportunity to chair the EFT forum for 2022, and I commend the participants for their unwavering collaboration, commitment, and exceptional

efforts in fulfilling their obligations. Looking forward to the year 2023, the industry is poised for growth and development. I wish the industry continued strength and success in pushing the boundaries to achieve greater feats.



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

Leading a team of diverse, experienced individuals at the forefront of protecting the payments system has been a rewarding journey. The effort and preparation invested in the Financial Intelligence and Cyber Security Centre (FIFSC) is unparalleled, and it has become a key factor in combating fraud and fraudulent activities.

The outbreak of Covid-19 prompted financial institutions to adjust their strategies, resulting in a rise in digital payment methods during 2022. These methods included Tap and Go, Online/Internet Banking, Open Banking, and Instant Payment. However, fraudsters continued to exploit vulnerabilities in the payment systems. For the banking and financial industry, this meant that fraud became a billion-dollar issue. The most common fraudulent activities to be reported to the FIFSC in 2022 were card-not-present, social engineering (including phishing, smishing, and vishing), and fake proof of payments.

Nonetheless, while the financial institutions continued to prioritize the safety and efficiency of payment systems, the FIFSC, with its mandate of mitigating the risk of fraudulent activities, assisted in reversing the upward trend of fraud. Through sharing beneficial fraudulent information among financial institutions, including all banks represented by financial and cyber experts, and

regulatory and law enforcement agency involvement, the FIFSC was successful. Additionally, the FIFSC raised fraud awareness via a Clubhouse event and completed its marketing plan for 2023.

In 2022, several FIFSC projects gained traction. These included the migration of BIPA from an old system to a new one, engagement between BON and Home Affairs for the adoption of the bill in Parliament of Namibia, and the invitation of MTC to participate in the FIFSC. The cyber security council, comprising multiple financial institutions and regulators, was also established, and the FIFSC marketing budget was completed. The Bank of Namibia issued the Determination of the Operational and Cyber-security Standards Within the National Payments System (PSD-12), which will take effect on the 1st July 2023.

In order to uphold the forum's mission and vision, I urge all 2023 FIFSC participants to continue fighting fraudulent activities. Collaboration, support, and the willingness to share beneficial information should continue to drive the forum towards meeting its goals and objectives. Thank you to all participants for their contribution and support. It has been an honour to work with highly reputable and experienced professionals that are committed to ensuring the safety, efficiency, and effectiveness of the financial market.

Jacky Nekomba

CHAIRPERSON: FINANCIAL INSTITUTIONS
FRAUD AND SECURITY COMMITTEE





Ricardo van Zyl
CHAIRPERSON: IMMEDIATE
SETTLEMENT FORUM

MESSAGE FROM THE CHAIRPERSON OF THE IMMEDIATE SETTLEMENT FORUM

As a result of the unwavering support of its participants, throughout the year 2022, the industry has been operating at an optimal level. The core drivers of the forum for the year were centred on the successful implementation of the Straight-Through-Processing (STP) project, together with the NISS ISO 20022 Migration Project and the SADC ISO 20022 Migration Project. These key initiatives served as the driving force behind the industry's ability to adapt to the ever-evolving landscape and maintain its position as a leading player in the market.

STRAIGHT-THROUGH-PROCESSING PROJECT

The implementation of Straight-Through-Processing (STP) is a regulatory project initiated in 2020 to streamline the transaction process by automating end-to-end processing, ultimately reducing the need for manual intervention. To foster consolidated industry efforts toward the successful completion of this project, the Bank of Namibia (BoN) issued a directive on STP within the Namibia Inter-bank Settlement System (NISS) in 2022. As a result, all NISS participants are expected to achieve successful implementation of STP for NISS transactions on or before December the 31st, 2023. This initiative not only marks a significant milestone in the industry's drive toward enhanced operational efficiency, but it also cements its position as a leading player in the market.

NISS ISO 20022 MIGRATION PROJECT

Despite the challenges faced throughout the year, the NISS ISO 20022 Project has demonstrated resilience and progress. While remaining steadfast in their commitment to align with international standards the NISS Operator and its participants have been working tirelessly towards the project's completion. As such, the project charter is nearing finalization and will soon be circulated among the forum for their valuable input and ultimate sign-off.

SADC RTGS ISO 2022 MIGRATION PROJECT

In alignment with the global standards, the SADC region has undertaken the ISO 20022 messaging project to improve payment systems in the region. The project was initiated in late 2021, and extensive efforts continued throughout 2022. The industry is fully committed to achieving this objective. To substantiate, a local Steering Committee was established to oversee the progress of the Namibian banking industry towards the project's completion.

VOLUMES AND VALUES

Figures 11 and 12 provide a comprehensive illustration of the Immediate Settlement (IS) stream's volumes and values in the National Payment System (NPS) over the last five years.

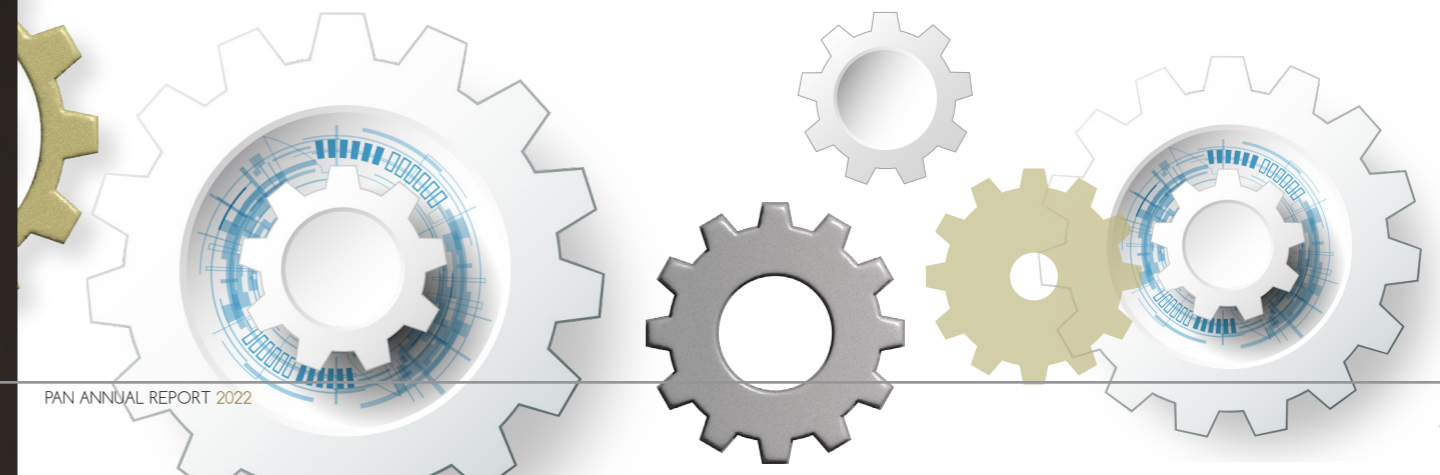


Figure 11: IS transaction volumes, 2018 – 2022

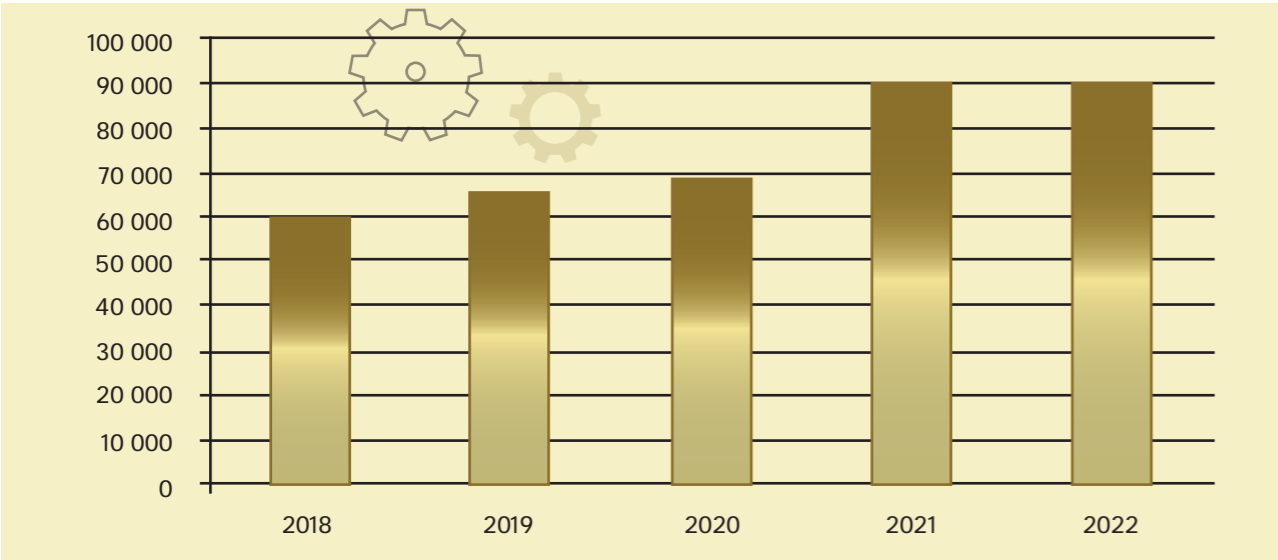
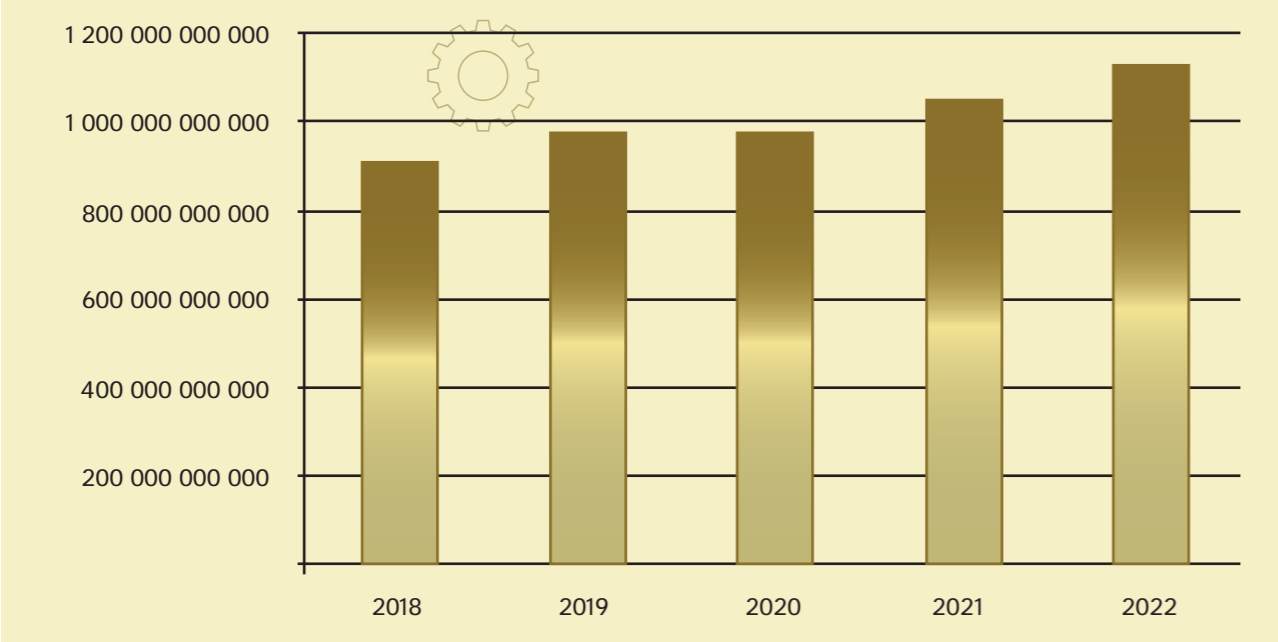


Figure 12: IS transaction values (N\$), 2018 – 2022



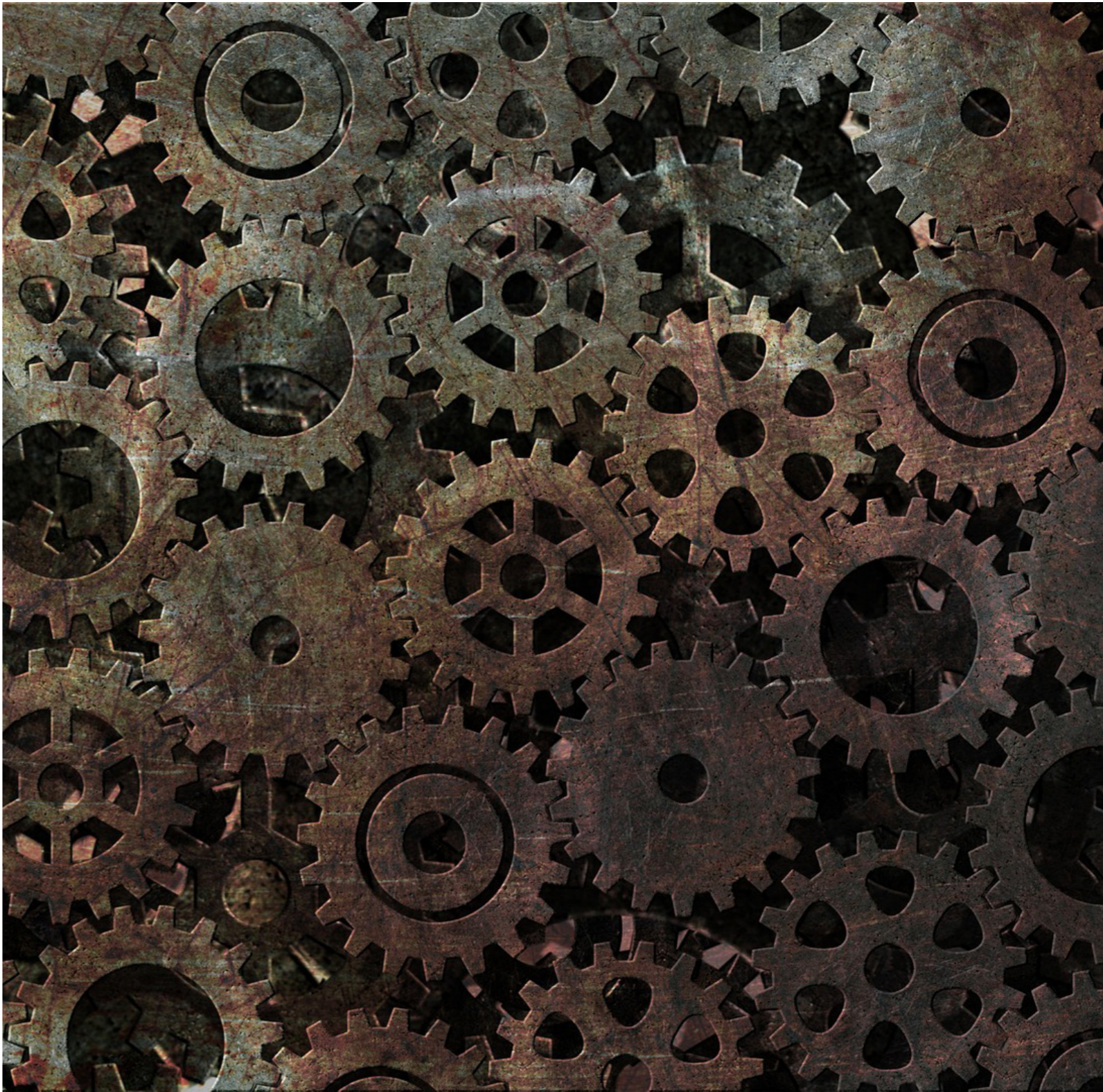
Conferring to the data presented in Figures 11 and 12, the Immediate Settlement transaction volumes experienced a modest increase of 675, while the values grew by N\$80 billion between 2021 and 2022. This growth can be attributed to the favourable post-COVID conditions and a

low-interest environment, which enabled businesses increase with their financial activities within Namibia. Moreover, the increase in trading of financial instruments during the same period has also contributed to the rise in volumes and values of the Immediate Settlement stream.

CONCLUSION

In spite of the challenging year and the adjustments made in the payment space, the Immediate Settlement stream has succeeded in overcoming obstacles. I extend my sincere gratitude to the esteemed committee members

on the IS Forum for their invaluable insights and wise counsel for playing a significant role in the guidance within the NPS through these challenges while laying the foundation for future growth and success. I extend my best wishes to the Forum as it proceeds with its mandate in 2023.





MESSAGE FROM THE CHAIRPERSON OF THE ELECTRONIC MONEY FORUM

In 2022, the economic challenges caused by the war in Ukraine and the COVID-19 recession resulted in a tight fiscal policy and increased interest rates, which lead to a higher living cost. As a result, the demand for an affordable and universal alternative to cash became more critical.

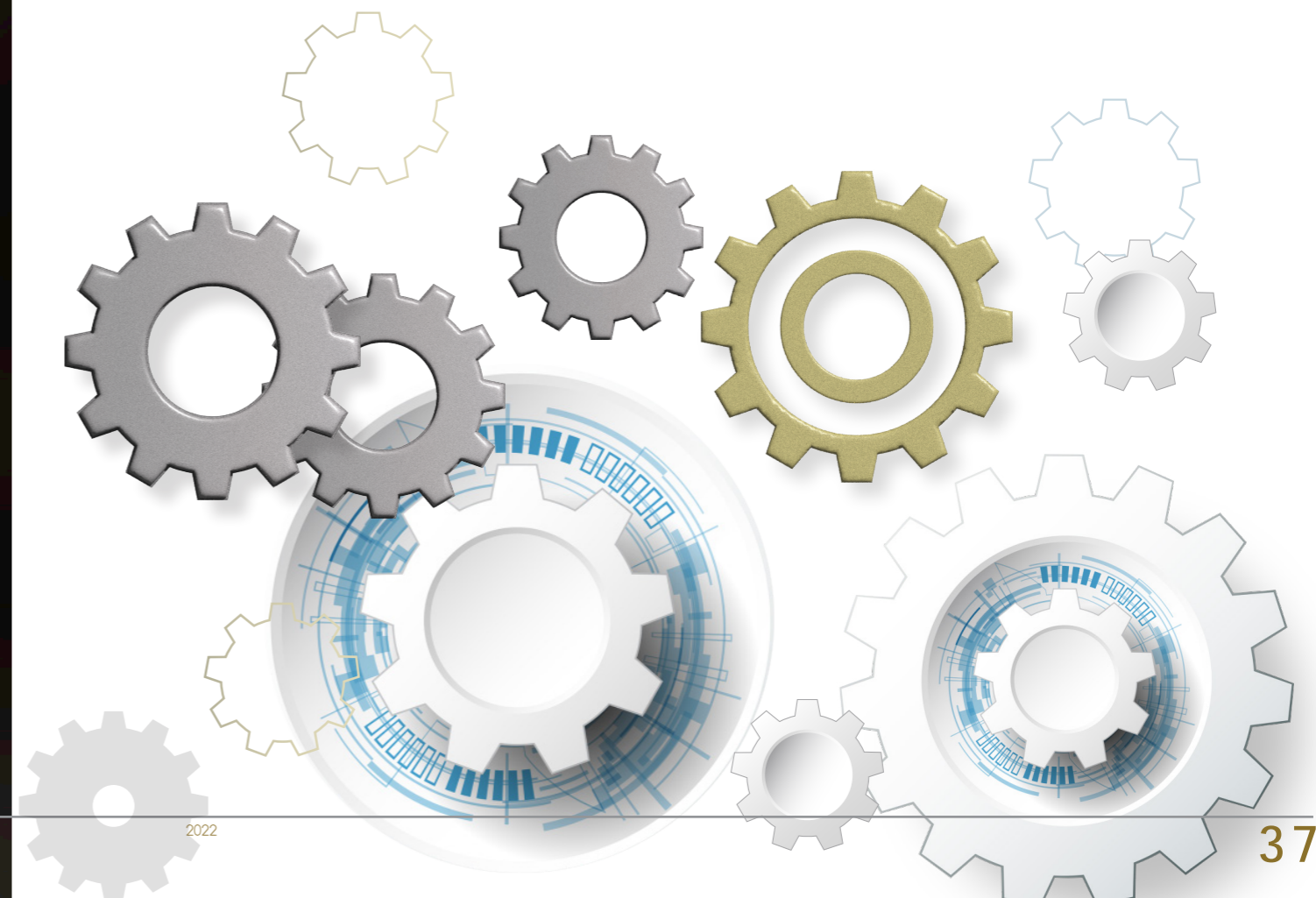
Although e-Money interoperability is yet to be achieved, the forum has made commendable efforts to expand e-Money transactions and improve its reach and capabilities. The industry remains committed to achieving full e-Money interoperability through a new clearing house that the forum and the Bank of

Namibia are jointly pursuing. The introduction of SIM registration is expected to assist the industry in mitigating fraudulent transactions within the stream. Dialogue between the financial and communications regulatory bodies has already been initiated, and the proposed financial CERT will be a crucial component of consumer awareness and risk mitigation.

We look forward to maintaining a productive dialogue between members and stakeholder communities. Interoperability is still at the forefront of the forum's work plan, and we are confident that it will become a reality in 2023.

Paul Rowney

CHAIRPERSON: ELECTRONIC MONEY FORUM





Pieter Swanepoel
CHAIRPERSON: PAN
STAKEHOLDER FORUM

MESSAGE FROM THE CHAIRPERSON OF THE PAN STAKEHOLDER FORUM

The year 2022 was marked by the recovery from the Covid-19 pandemic and its associated economic effects. In this context, the importance of efficient and secure electronic payment systems to facilitate trade has been underscored. The PAN Stakeholder Forum (PSF) and its members remained committed to advancing payment initiatives and promoting efficiency in the Namibian Payment System (NPS).

The active participation and contribution of PSF members throughout the industry structures and forums confirms a vibrant and expanding payments industry in Namibia.

The rise of specialist Payment Service Providers (PSPs) and FinTechs globally has brought about changing market trends. These organisations are increasingly bringing innovative solutions to the market, such as making payments faster, easier to use, safe, convenient, and efficient. This global trend is also observed in the local payments industry, with an expansion of PSF membership during 2022. The PSF members, with their position in the payments industry and digital payments innovation, are optimally positioned to add value to the payments industry. The drive towards increased digital payments and enabling financial inclusion remains a key focus area for the PSF and its members.

The post-implementation and maturation phase of Payment System Directive-7

(PSD-7) and, in particular, the Electronic Negotiable Debt Obligation (EnDO) as part of the Nampay offering, was a key achievement of the year. Other key aspects in the process of refinement was processes and maintaining the balance between debtors and creditors.

Other key factors that are important in advancing the industry and economy include the Namibian payments industry being well-structured with healthy industry collaborations that are focused on achieving the strategy for payments through Vision 2025.

GOVERNANCE

In 2022, the PSF maintained its focus on key initiatives, with active participation from members in monthly operations and quarterly strategic meetings, as well as in representing the PSF in industry structures. In addition to industry initiatives, the PSF began a process to identify the specific needs of its members that align with key initiatives in Vision 2025. Work is still in progress to enhance efficiency and ensure a smooth shift to digital payments.

The PSF provided quarterly activity reports to the PAN Management Council, keeping them updated on its activities. Additionally, the PSF actively participated in industry-related events such as the PCH meetings and industry structures created to assist with the transition to



EnDO. These included attending weekly incident meetings. All members upheld their obligations under the PSF constitution and member resolutions, and the PSF remains focused on member participation to ensure informed and aligned participation in the broader NPS structures.

PSF MEMBERSHIP

The PSF is pleased to announce an increase in membership, totaling 27 non-bank members. This growth allows for a more collaborative approach as members deliberate on key aspects and provides input to various structures within the NPS. The shift to digital payments requires increased participation and innovations, which benefits not only the industry but also the broader economy. The PSF extends a warm welcome, not only to payment service providers, but also to associations in the industry whose business models rely on the payment instruments. We look forward to continued growth and engagement with our expanding membership.

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

In the past year, the PSF progressed in addressing maturation issues identified within the industry during the post-implementation phase of EnDO. The high levels of industry cooperation greatly supported this process, with the weekly industry-wide incident meeting playing a significant role in resolving issues quickly. NamPay and EnDO remain key industry initiatives for the PSF, as they bring efficiency to electronic payments, reduce cash risk, and ensure equal participation. EnDO is relied upon by numerous stakeholders for payment collections and reports. The PSF remains committed to and actively involved in the payments stream, with its nominated representatives participating in industry structures.

NPS PAYMENTS VISION 2025

The Vision 2025 is a critical component of the PSF's focus, and the organization made significant progress in 2022 towards achieving its objectives. The PSF welcomed new members and promoted collaboration within the industry. It worked towards enhancing industry efficiency through electronic payments and the implementation of regulatory requirements.

The PSF is committed to pursuing its medium-term objectives. These include improving funding and governance, promoting collaboration, consumer-centric innovation, and human resource capacity development. Achieving these objectives, the PSF strives to achieve these objectives by taking active participation in industry structures and forums and working with relevant stakeholders. The PSF will promote balance between debtors and creditors by refining industry rules and supporting the shift to digital payments. Additionally, the PSF will drive awareness campaigns to promote compliance with NPS standards, rules, and project objectives.

The PSF will also focus on developing its human resource capacity by involving and incorporating PSF representatives in the NPS structures and ensuring proper governance and participation in PSF structural initiatives. The organization will utilize its position and representation to support the adoption and implementation of the new NPS governance model and contribute to the review process of legislation, regulations, and rules.

Overall, the PSF is committed to achieving its objectives, promoting industry collaboration, and supporting the shift to digital payments. It will continue in its active participation in industry structures and forums, work with relevant stakeholders, and drive awareness campaigns to promote compliance with NPS standards, rules, and project objectives.

CONCLUSION

The PSF remains committed to fulfilling its purpose by leveraging its expertise and experience to further advance the industry. The past year saw the PSF not only meet but exceed its objectives as evidenced by the increased membership and industry collaboration. The PSF leadership, deputy chair-

person, members, and representatives are commended for their unwavering commitment and dedication to driving the initiatives and objectives of the PSF and contributing to the progress of the payments industry. Their active participation in industry forums is greatly appreciated, and the PSF looks forward to continuing this collaborative effort in the future.



MESSAGE FROM
THE NAMIBIAN REPRESENTATIVE OF THE SADC PSMB

The SADC-RTGS User Group Conference for 2023 will be held in person over a three day period in Kinshasa, Democratic Republic of Congo from 14th March to 16th March 2023. The program will include the ISO20022 migration and lessons learnt, business architecture, the target operating model, the conceptual and logical architectures of the settlement operations, etc. and any other feedback that would be applicable at that time.

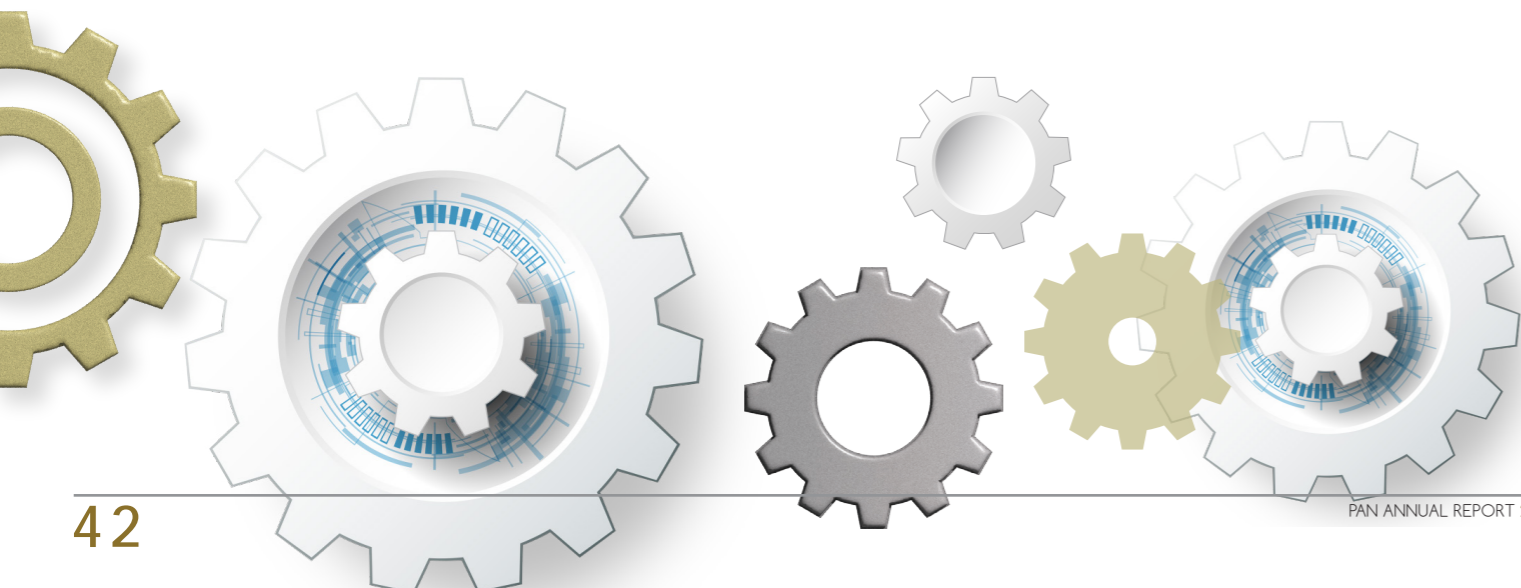
A SADC-RTGS ISO 20022 Migration Project Stakeholders Engagement Workshop

was held with the various participants, on 8th November 2022 and various topics were covered on the project status.

Transactions Cleared on an Immediate Basis (TCIB) has become an alternate for banking institutions in the CMA region, that are currently clearing and settling cross-border transactions through BankservAfrica, the South African domestic EFT system, to ensure that regional transactions are processed in line with new regulations within the Namibian Jurisdiction.

Michelle Mahecic

NAMIBIAN REPRESENTATIVE: PAYMENT SYSTEM
MANAGEMENT BODY



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

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

Cheque - A paper instrument that essentially instructs the payer's financial institution to debit the payer's account for a specified amount, and either to transfer that value to the payee's financial institution for credit to the payee's account or to pay out cash.

Clearing - The exchange of payment instructions between a payer's bank and the payee's bank (or their respective agent) which results in the calculation of payment obligations between system participants.

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

Determination Directives published in Gazette Notices issued by the Bank of Namibia on any matter which is required or permitted by the Banking Institutions Act, 1998 (No. 2 of 1998), as amended, to address issues that are considered necessary and expedient to determine the prudent conduct of the banking business, and consistent with the best standards and sound financial management.

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

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

SADC ISO 200222 Migration project, will continue to improve the efficiency of cross-border payments to ensure expansion of cross border digitisation, customers services, while regional and continental integration for both banking institutions and non-banks remains high in order to align to global best practice.

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

NAMPAY

National Payment System (NPS) - The payment system as a whole, which includes any payment system, settlement system or clearing system arrangement used in the process of effecting payment between payers and beneficiaries.

Nominating and Governance Committee (NGC) - Means, the Nominating and Governance Committee of the SADC BA.

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

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

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





ANNUAL REPORT **2022**

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