

What is NamPay

What is the National Payments System (NPS)

Namibia's financial market infrastructure consists of various systems, networks and technological processes needed for conducting and completing financial transactions. These systems, networks and processes together make up the National Payment System (NPS). The NPS, which is managed, controlled and organised by the Payments Association of Namibia (PAN), comprises the most up-to-date infrastructure for transferring money in Namibia, as well as among banking institutions, merchants, payment service providers and customers, but also for using payment instruments such as debit and credit cards and electronic fund transfers (EFTs).

A Payment System Revolution

Namibia is soon to be on the forefront of a global financial system revolution.

The Payment Association of Namibia, in partnership with local banking institutions and payment service providers, will be introducing a brand new solution, called NamPay. The new payment solution will result in a major enhancement to the National Payment System (NPS) for Electronic Fund Transfers (EFT) and impact all stakeholders directly or indirectly utilising or this service. This has been driven by a legislative need for greater efficiency in the processing of payments in the NPS.

The existing EFT system managed by Namclear and the domestic banks will be replaced by a state-of-the-art, internationally recognised messaging standard (ISO-20022) solution that introduces greater efficiency, safety and effective control of the domestic EFT component of the NPS.

NamPay presents an incredible opportunity for the Namibia NPS to be among the most technologically advanced on the continent. It will not only bring Namibia into the mainstream of the digitisation of national payments systems, but will add considerable value to all users of the NPS, and ultimately the Namibian public.

This exciting solution will comprise of three new payment streams across debit orders, credit payment transfers and near-to-real-time credit payment transfers that will transform all EFT processing in Namibia. Given the impact that NamPay will have on Namibia as a whole, all banking consumers will be transitioned from using the existing system to the new processing standard over the course of 18 months from the date of implementation.

Delivery of an Efficient National Payments System

The implementation ensures compliance with the Bank of Namibia (BON) directive to ensure efficiency within the National Payments System

The delivery of the NamPay solution has been completed by means of a national project involving all parties involved in EFT payments clearing such as domestic banks, payment service providers, clearing

house and the Payments Association of Namibia (PAN). The project has endeavoured to deliver these efficiencies which include:

- ✓ EFT Payments are processed fast, safely and at a reasonable cost
- ✓ Risks involved in efficiencies are appropriately managed across the value chain
- ✓ Ensure operation without disruption in the event of a sudden financial, operational or natural crisis and/or disaster
- ✓ Incorporation of internationally accepted principles
- ✓ Ensure that the status of EFT payments are certain at all times
- ✓ Ensure that the EFT payment services are efficient and reliable, and are responsive and relevant to customer needs
- ✓ The rules relating to the processing order of payment instructions should be transparent and should disallow any preferential treatment of payment instructions

The project has been in execution from 2015 and will be completed by the end of 2019. It sets out to deliver the ISO20022 standard in alignment with meeting compliance requirements in Namibia. Similar projects have been or are in process of being executed in United Kingdom Eurozone, USA, Australia, South Africa, Japan and India, to name a few.

When will NamPay Affect Consumers

NamPay will be rolled out to the Namibian businesses and broader public through an 18-month long period where customers will be seamlessly migrated by their respective banks. During this period, the current EFT system will run in parallel such that there is no impact to businesses and individual consumers during the migration. Banks will communicate directly with their customers well in advance such that any impacts are understood and managed prior to moving to the NamPay system. Customers are encouraged to engage their financial institutions for information specific to how they will be impacted.

Understanding ISO 20022

What is ISO 20022 and what it is used for

ISO20022 is a repository of standard messages that are used between financial institutions across a variety of financial transactions including:

- Card
- Foreign Exchange
- Securities
- Trade
- Payments

In general, when ISO 20022 is described, it is in reference to one or more of the messages that that standard delivers. From a technical perspective, ISO 20022 is the standard that provides the rules for how to develop the messages and the documentation of these messages. There are multiple sources of detailed information on the standard, which can be found in the following web pages:

Official ISO 20022 website: <https://www.iso20022.org/>

Wikipedia website: https://en.wikipedia.org/wiki/ISO_20022

SWIFT Standards website: <https://www.swift.com/standards/about-iso-20022>

Where is it used in the world

Implementations of the ISO 20022 Payments standard has been undertaken and implemented in 12 countries/regions around the world, where there are currently 6 implementations in progress (including Namibia). Due to the nature of international initiatives, it is expected that even more countries are currently in early stages of initiatives to implement the standard, however this has not been formally published at this stage.



More information regarding the adoption status of the standard can be found on the official ISO 20022 website: <https://www.iso20022.org/adoption.page>

What does ISO 20022 bring to Namibia

The Namibia implementation of ISO 20022 is specifically for EFT Debit and Credit Payment transactions and does not extend to the other financial transactions listed above at this stage. The standard has been implemented using a set of workflows tailored to the Namibia payments environment and in line with international best practice. Not all of the messages contained in the standard will be implemented initially in Namibia as they are either not required or are earmarked for future initiatives. The

implementation of the standard will bring Namibia to the international stage and future-proof the National Payments System for the worldwide modernisation and digitisation trends.

Opportunities with ISO 20022

There are several key opportunities that are created as a result of the standard, which will be iteratively pursued by the Namibia National Payments System into the future. Such opportunities could involve:

- Seamless cross-border payments with CMA/SADC countries using ISO 20022 standard
- Involvement in the SWIFT migration to ISO 20022 as a future international project
- Anti-money laundering initiatives to further reduce risk and identify incidents
- Integration of Namibia payment streams into a single standard format to improve interoperability, create further efficiencies and reduce risk

PAN, in association with partners and its stakeholders, will implement a Continuous Improvement Initiative across the various payment streams to seek ways to further introduce enhancements, utilise the system to full capability, leverage best practice and implement new improvements for the Namibia National Payment System.

NamPay EFT Debits and Credits

Payment Initiation

Payment initiation refers to the customer providing their bank with an instruction to complete either a credit transfer or a debit collection to another customer, either within their own bank or to another bank. Payments can be initiated in multiple methods such as internet banking systems, business banking systems or even through third party payment service providers, to name a few.

Customers using NamPay will be migrated from the current EFT system over the course of an 18-month migration period. As part of the implementation, the local banks will communicate directly with their customers on how the interaction with the payments system will change and how this will impact them. The extent of the impact on the customer will be specific to the types of products, channels and relationships customers have with their respective banks.

Payment Clearing and Settlement

Payments clearing and settlement refers to transactions processed between customers of different financial institutions or banks. The process requires a clearing house (Namclear in Namibia) to facilitate the transfer of funds and ensure that the nett amounts transferred are settled between the financial institutions.

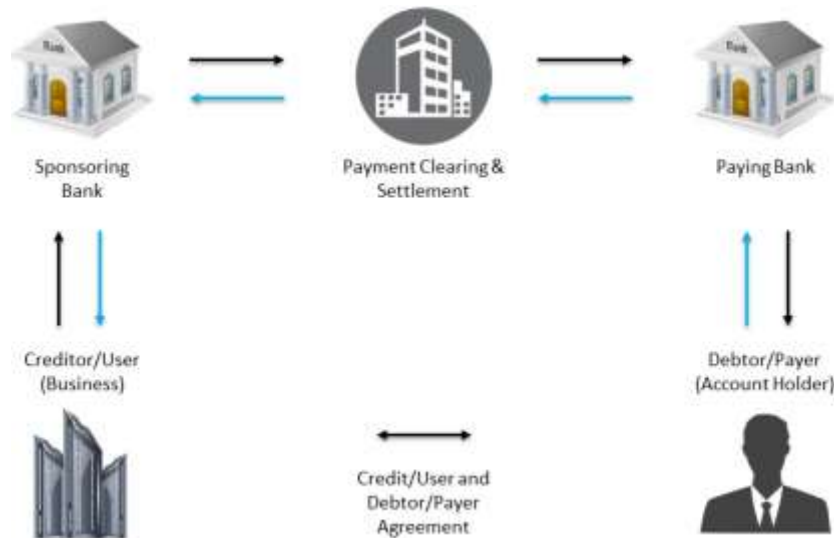
NamPay will enhance the existing process for EFT transactions where the traditional model of clearances of transactions over multiple days will be replaced with current day processing. This means that transactions sent on any given business day will clear and be settled, regardless of whether the transaction is sent to a beneficiary in another bank, on the current business day. The system will further

improve and automate the process for settlement between banks resulting in lowered financial risk to the National Payments System as a whole.

NamPay will also introduce a near-real-time EFT payment stream that will enable customers in different banks to make immediate payments that will clear and reflect within 1 minute. The new payment streams (EnDO, ENCR and NRTC) are explained in more detail below.

Enhanced Debit Orders (EnDO)

The current debit order system will be replaced by an enhanced collection process, called EnDO, that will benefit both the submitter of debit orders (Creditor) as well as the consumer paying that debit order (Payer).



Key features of the EnDO stream include the following:

- Debit orders are submitted using the new industry payment standard ISO20022.
- Institutions that submit debit orders or on behalf of other institutions or entities are required to register as a collector.
- Users are able to send debit orders that will have the ability to repeatedly check for funds (credit tracking) on the debtor's account over a period of time which will improve the success rate of collections.
- Debit Orders will be processed three times daily after the morning salary credit run.
- All debit orders are fully randomised to avoid preferential treatment on collection of funds.
- Debit orders will not be "unpaid" but rather "unsuccessful" on the consumer's account resulting in fewer disputes and queries, however the existing debit.

- The customer's credit record will be impacted should the debit order be unsuccessful
- Should a debit order request on a debtor/payer's account not be honoured, it will automatically be returned to the originator.

Enhanced Credit Transfers (EnCR) and Near-Real-Time Credit Transfers (NRTC)

The current EFT credit payments system will be replaced by two new streams (ENCR & NRTC) that will enhance the way that money can be transferred across all banks in the National Payments System. This involves the ability to continue to transact within a current day and the capability to transfer money immediately to any beneficiary in Namibia, whether they bank at the same institution or not.



Key features of the EnCR & NRTC streams include the following:

- Payments can continue to be made to any bank beneficiary but will now be processed on the new industry standard ISO20022
- Transactions are processed by means of “trickle-feeding” between the banks as received in the business day between 08h00 and 16h00 and are therefore not subject to overnight or multiple day clearances unless submitted following the close of the business day
- The audit trail of the processed payment is maintained such that a payment customer can easily track their transactions at any stage
- An electronic process is in place to handle transactions processed erroneously
- Data enriched messages allow for better anti-money laundering controls to prevent fraudulent activity

- The NRTC payment stream enable any consumer to transfer in real-time to any beneficiary within the business day

What does it mean for me?

Impact and Benefits of the Debit Payment Stream



Benefits to the National Payments System (NPS)

- ✓ Debit orders are processed entirely electronically from the original source (payment initiation) to the end customer
- ✓ More detailed information will be provided to the end consumer to identify and interpret all debit orders on their accounts
- ✓ Less fraudulent or rogue debit orders across the industry due to stricter and more robust rules and controls in support of regulation
- ✓ Fewer manual steps in the overall process of clearing debit orders between banks and customers



Benefits to the Debtor/Payer

- ✓ Increased convenience and greater ability to understand all debit orders to the account holder
- ✓ Unsuccessful debit orders will not be “unpaid” in the traditional EFT process which provides more opportunities to fund debits over a period of time, however the repercussions of unsuccessful debits still apply
- ✓ Identification of the debit order originator by abbreviated short name that will appear on the account holders bank statement
- ✓ Fully electronic and simpler process for disputing invalid debits processed to account holders



Benefits to the Creditor/User

- ✓ Early morning processing which allows for greater efficiencies in daily collection periods
- ✓ No preferential treatment of transactions due to randomisation
- ✓ Repeatable tracking process available to improve collection of funds over a period of time as opposed to a single attempt

- ✓ Current business day processing where funds are cleared and settlement within 24hrs
- ✓ “Unpays” replaced by a successful/unsuccessful process that will result in more efficient collections and reduce the number of disputes
- ✓ Overall business processes are better streamlined which is less time-consuming for the collector

Impact and Benefits of the Credit Payment Streams



Benefits to the Debtor/Payer

- ✓ Payments can be made in real-time from any customer to any other customer, regardless of bank
- ✓ Notification and confirmation of the beneficiary receiving payment will be provided to the paying consumer
- ✓ Audit trail and notifications will be available for EFT transactions to allow consumers to track their payments



Benefits to the Creditor/Beneficiary/User

- ✓ More detailed information will be provided to the end consumer to identify and interpret all payments made to their accounts
- ✓ Fraudulent transactions will reduce across all EFT payments streams in the banking industry due to more robust rules
- ✓ Payments are cleared onto beneficiary accounts as received in the business day and are therefore not subject to overnight or multiple day clearances
- ✓ Payments made in the working day between 08h00 and 16h00 will clear on beneficiary accounts on that day. Any transactions after 16h00 will be processed the next morning

Where to get more information?

For more info on NamPay, visit the PAN Website: <http://www.pan.org.na/>

Official ISO 20022 website: <https://www.iso20022.org/>

Wikipedia website: https://en.wikipedia.org/wiki/ISO_20022



SWIFT Standards website: <https://www.swift.com/standards/about-iso-20022>

Customers are encouraged to contact their banks for more information: