

## **Ipumbu Shiimi: National Payment System Vision 2015 launch**

Speech by Mr Ipumbu Shiimi, Governor of the Bank of Namibia, at the launch of the National Payment System Vision 2015, Windhoek, 5 April 2011.

\* \* \*

Director of Ceremonies

Mr. Ian Leyenaar, representing Mr. Erastus Hoveka the President of Bankers Association of Namibia,

Dr. Gift Kavari Chairperson of the Payments Association of Namibia Members of the banking industry

Members of the Media

Distinguished Invited Guests, Ladies and Gentlemen

Good Morning

It is with great pleasure to welcome you all here today to witness the launch of the National Payment System (NPS) Vision 2015 for Namibia. Let me first use this opportunity to thank the banking industry for their respective contributions in the process of finalizing the Vision document. Without your input we would not have achieved this milestone.

Much has been achieved since the development of the first NPS Vision and Strategy in the year 2000, and although I do not want to detail these achievements, there are a few major milestones which are worth highlighting:

- The first major milestone was reached on 10 June 2002, when the Namibia Inter-bank Settlement System (NISS) was implemented, enabling banks to settle their obligations with each other immediately, the so-called real time gross settlement system (RTGS).
- The second milestone was reached with the promulgation of the Payment System Management Act in December 2003. The Act provides the Bank with the mandate to oversee and monitor the payment system;
- The third major milestone was reached during 2004 – 2005 with the establishment of the Automated Clearing House, Namclear, which localised the clearing and processing of the Electronic Funds Transfer System (EFT) and Cheque Processing System;
- The Payment Association of Namibia (PAN) was established in 2005 to manage the affairs of its members in relation to payment instructions, but also to act as a medium of communication with the different stakeholders, namely the Bank, public bodies, the media and even the general public.
- Finally, perhaps one of the most important achievements in the NPS recently was the establishment of Namibian Card Switch, NAMSWITCH in November 2008, enabling the clearing and settlement of Namibian card transactions locally.

Director of Ceremonies

The payment system is dynamic and new demands and opportunities arise as a result of market requirements and technological developments. Therefore, new challenges are facing the NPS, hence a new strategic direction is required. It is against this background that the Bank in collaboration with the banking industry has developed a new vision, strategies and objectives for the Namibian NPS.

Allow me to spend few minutes to highlight a few points about what is contained in the Vision document. The NPS Vision 2015 document provides a high-level strategic direction for the Namibian payment system up to 2015. The NPS Vision 2015 contains six strategic focus areas, I will highlight a few.

### **Access and participation in the NPS**

The first objective under this focus area is to increase the accessibility of the payment system by providing for new types of participants, but at the same time maintaining the safety and efficiency of the payment system by adhering to sound internationally accepted payment system principles.

Increased accessibility by new participants will facilitate wider usage of the payment system by the public and will further enhance access to financial services and payment system.

The second objective, close to many people's hearts, is to set standards for fees and charges in the interest of efficiency in the NPS. The payment system fees and charges have often been identified as one of the key supply side barriers to financial services. The recent amendments to the Payment System Management Act give the Bank of Namibia power to act if the market fails to ensure that fees and charges are transparent, competitive and commensurate with input costs.

Over the next few years ending in 2015, the Bank will be targeting products, fees and charges that have hindered Namibia from moving towards a more financially inclusive economy: These are:

- cash deposit fees,
- the lack of a low cost basic bank account,
- penalty fees,
- dormant account fees,
- non-transparent pricing such as tiered pricing structures, and
- interchange fees

An implementation plan with a time table on how to address these issues has been agreed with banks recently and is in the process of being rolled out.

### **Interoperability and standards in the NPS**

In order to ensure that the Namibian payment system remains safe and efficient we need to adopt international best practice. Namibia has in the past few years experienced a significant increase in card fraud. Therefore we need to strengthen our risk mitigation measures. In this regard, I am pleased to inform you that the banking industry has agreed on a roadmap for rolling out Europay, MasterCard and VISA (EMV) standards in Namibia.

These standards will be fully complied with on the post machines side by 2012 and on the cards side by 2015. Once implemented, EMV compliance will go a long way to reducing card fraud in Namibia.

### **NPS infrastructure and technology**

Namibia can be proud of its payment system infrastructure established over the last 10 years. However, the Namibian banking industry has once again a unique opportunity to create a modern, streamlined and cost-efficient payments infrastructure that will position the banking industry and the Namibian economy well for the future. A future where commerce

will require real-time payment mechanisms that give immediate value and finality to the beneficiary. A world where various channels like e-payments, mobile phones and the Internet will be used to make payments and conduct business fast, efficiently and cost effectively. This is a world where instruments that are prone to fraud such as cheques will play a small role, if any.

### **Cross-border remittances**

Transfer of money across borders by people in the low segment of the market will enjoy our priority during the implementation of this vision document. It is important for the banking industry to improve the remittance transfer infrastructure in Namibia with the view to achieve a low-cost and safe cross border remittance service to cater for unbanked community.

### **Regional participation in CMA and SADC**

There are currently discussions about integration of payment systems in CMA and SADC countries to facilitate cross-border payments. Namibia is committed to fully participate in these initiatives with the view to contribute to the successful implementation of efficient, safe and cost-effective regional payment systems.

In conclusion, I would like to congratulate the banking industry for the effort, and achievements of the past ten years, not only in the area of payment systems, but also in the manner in which we have worked together on daily basis. Much of what has been achieved in the development of our NPS over the past ten years has been through consultation, collaboration and co-operation between the members of PAN and the Bank.

Going forward there are new and complex challenges facing the NPS. Therefore the Bank looks forward to the continued co-operation of PAN, the Banking Association of Namibia and other stakeholders as we tackle the challenges that lie ahead in an effort to implement a world-class payment system, which will meet the needs of the domestic economy and comply with international best practices by 2015.

I thank you for your kind attention.