

## **Ipumbu Shiimi: Namibia's payment system reform initiative**

Speech by Mr Ipumbu Shiimi, Assistant Governor of the Bank of Namibia, at the NamSwitch Press Conference, Windhoek, 2 December 2008.

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Members of the Media

MDs and officials of Banking Institutions

My Colleagues, officials of the Bank of Namibia present

Ladies and Gentlemen

It is with great pleasure to welcome you to the Bank of Namibia this afternoon. We are especially grateful to the media practitioners, who will share this wonderful news with members of the public, for responding positively to our invitation. We are also delighted that our partners in the payment system reform initiative, banking institutions, have joined us at this press conference. Once again welcome.

Ladies and gentlemen, one of the Bank of Namibia's responsibilities is to ensure financial stability. An efficient and effective payment system is a key factor in achieving financial stability. This means individuals and businesses are able to pay for goods and services or transfer money from one entity to another entity in a manner that is safe, cost effective and reasonably fast. For example when a person pays with a cheque, a stable and effective payment system would ensure that payment is secure and the money will be received faster.

Ladies and gentlemen, we have invited you to share with you information on milestones achieved in the Namibian payment system reform initiative, undertaken jointly by the Bank of Namibia and commercial banks. Until not so long ago our payment system was highly integrated with that of South Africa. In fact Namibia dependent heavily on South Africa's payment system infrastructures for clearing and settlements of most of the payment system instruments e.g. cards and ATMs. This dependency made the country vulnerable to risks that would affect the payment system in South Africa and placed the oversight of critical payment system infrastructures outside the jurisdiction of Namibia.

It is against this background that reforms were initiated. The efforts made towards the payment system reform project started to bear fruits after the implementation by the Bank of Namibia of the Namibia Inter-bank Settlement System (NISS) on 10 June 2002. After the settlement system was put in place, there was a need to reform the clearing side of the National Payment System (NPS). The establishment by the commercial banks of Namclear (Pty) Limited, in 2003, paved the way to modernise and automate various clearing systems starting with the Electronic Funds Transfer (EFT) System in 2004. The Cheque Processing System was rolled out in 2005 ending with the Card System (NamSwitch) in 2008.

The NamSwitch system was implemented in a phased approach because of the nature of payments, facilities, and systems that are involved. The Automated Teller Machine (ATM) solution went live on 21 April 2008 and the Point-of-Sale (POS) was recently rolled out on 16 November 2008, thus bringing the reform project on the clearing side, to an end. Ladies and Gentlemen this is an achievement worth mentioning as Namibia now has its own independent payment infrastructures, with the Bank of Namibia having adequate regulatory oversight over these systems. I am aware that to a normal eye, it is difficult to notice the changes that have taken place because this change was managed seamlessly. However with a careful eye significant benefits brought about by the reform are visible. For example it use to take about up two weeks to clear a cheque, now this only takes at most fives days and in most cases is less than that.

Ladies and gentlemen, on behalf of the Bank of Namibia and indeed on my own behalf, let me thank and commend the banking industry for a job well done. The industry has shown commitment in ensuring that all the systems were implemented. Despite the slippages that

we experienced along this journey, we have proven that in unison we can achieve greater things. It shows that with the spirit of teamwork we can achieve all what we intend to achieve. I believe that this is the path we will continue to follow in the future.

Ladies and gentlemen, we should all understand that reform projects are done with due regard to national interests. I do not believe that our intention to bring about reform initiatives will negatively affect the operation of the industry and NPS. The Bank of Namibia understands that such initiatives are expensive and sometimes costs involved run into millions of Namibia Dollars. Our position is that benefits far outweigh the costs incurred in the process. We all need a situation where if there are disruptions in the South African payment environment, for example, Namibia catches no cold. Building our own systems will also enable us manage inherent payment system risks and exposures sufficiently well.

In conclusion, Ladies and Gentlemen, although milestones have been achieved in terms of implementing required clearing and settlement systems, certain issues remain to be addressed. I am aware that there are some card transactions that are still cleared and settled in South Africa. I am pleased to learn that there are measures in place to ensure that such transactions are cleared and settled in Namibia before the end of the first quarter of 2009.

With these few words, Ladies and Gentlemen, I thank you for listening.