

ENTRY AND PARTICIPATION CRITERIA FOR AUTHORISATION TO ACT AS A SERVICE PROVIDER IN THE NATIONAL PAYMENT SYSTEM



TABLE OF CONTENTS

1.	Short title	3
2.	Application	3
3.	Definitions	3
4.	Authorisation	4
5.	Purpose	5
6.	Scope	5
7.	Application of the PSMA	5
8.	Payment Intermediation Exemption	5
9.	Types of Payment Service Providers	5
10.	Application Criteria	6
11.	Registration Criteria for Payment Service Providers	6
11.1.	General Criteria	6
11.2.	Governance and Human Resource Criteria	7
11.3.	Financial Criteria	8
11.4.	Pricing Criteria	8
11.5.	Legal and Contractual Criteria	9
11.6.	Operational and Risk Criteria	9
11.7.	Consumer Protection Criteria	10
11.8.	Anti-money laundering / Countering the Financing of Terrorism (AML / CFT) and combating the Proliferation financing (CPF)	11
12.	Additional Operating Conditions	11
12.1.	Service Level Agreements	11
12.2.	Oversight and Reporting	11
13.	Specific requirements for Automated Clearing Houses	11
13.1.	Framework for the Comprehensive Management of Risk	11
13.2.	General Business Requirements	13
13.3.	Tiered Participation Arrangement	14
13.4.	Clearing House Links	14
13.5.	Communication and Security Procedures and Standards	14
13.6.	Disclosure of Rules, Key Procedures and Market Data	14
13.7.	Additional Requirement specifically for Central Securities Depository (CSD) Clearing Leg	15
14.	Specific requirements for Payment System Operators (PSO)	15
15.	Specific conditions for Payment Intermediation Service Providers (PISPs)	16
15.1.	Merchant Bank Account (Pooled Funds)	16
15.2.	Capital Adequacy	16
15.3.	Additional Requirements	17
16.	Notifications	17
17.	Termination or Withdrawal of Authorisation	17
18.	Non-Compliance	18
19.	Application Process	18
20.	License Renewal	19
21.	Conclusion	19
22.	Repeal of PAN Entry and Participation Criteria	19
23.	Effective Date	20
24.	Enquiries	20

1. Short title: Entry and Participation Criteria

2. Application: This Criteria shall apply to -
 - a) To a person, who is not a system participant but is desirous to be registered as a service provider in order to provide one or more payment system services.
 - b) To existing service providers already licensed by the Payments Association of Namibia (PAN) to provide one or more payment services.

3. Definitions: In this Criteria, unless the context otherwise dictates, words and expressions used herein will have the same meaning as assigned to them in the Payment System Management Act, 2003 (Act No 18 of 2003), as amended, and cognate expressions will have corresponding meaning:
 - 3.1. "Act" means the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended.
 - 3.2. "AML / CFT" - means anti-money laundering and combating the financing of terrorism.
 - 3.3. "Automated Clearing House" or "ACH" means an electronic clearing system in which payment orders are exchanged among financial institutions, primarily via magnetic media or telecommunications networks, and handled by a data processing centre.
 - 3.4. "Bank" means the Bank of Namibia referred to in section 4 of the Bank of Namibia Act, 1997 (Act No. 15 of 1997), as amended.
 - 3.5. "Banking Institution" as defined in section 1 of the Banking Institutions Act, 1998 (Act No. 2 of 1998) as amended, means a public company authorized under that Act to conduct banking business, or deemed to be so authorized.
 - 3.6. "Central Security Depository" or "CSD" means an entity that provides securities accounts, central safekeeping services, and asset services, which may include the administration of corporate actions and redemptions, and plays an important role in helping to ensure the integrity of securities issues (that is, ensure that securities are not accidentally or fraudulently created or destroyed or their details changed).
 - 3.7. Cross-subsidisation means is the practice of charging higher prices to one group of clients to subsidize lower prices for another group of clients.
 - 3.8. "Financial Market Infrastructure" or "FMI" means a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions.
 - 3.9. "International Financial Reporting Standards" or "IFRS" are a set of accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB) to provide a common global language for business affairs so that company accounts are understandable and comparable across international boundaries.

- 3.10. "Minister" means the Minister responsible for finance;
- 3.11. "National Payment System" or "NPS" means the payment system as a whole, and includes any payment system, settlement system, clearing system and payment system arrangement used in the process of effecting payment between payers and beneficiaries.
- 3.12. "Payments Association of Namibia" or "PAN" means the Payment System Management Body established in terms of section 3 of the Payment System Management Act, 2003 (Act No 18 of 2003), as amended.
- 3.13. "Payment Intermediation Guidelines" or "Guidelines" means the guidelines issued by the Bank of Namibia that outlines the conditions under which a service provider can provide payment intermediation services in the National Payment System as per section 7 of the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended.
- 3.14. "Payment Intermediation Service Provider" or "PISP" means a service provider who accepts money or payment instructions as a regular feature of their business, from any other person for the purpose of making payments on behalf of that person to a third person to whom that payment is due.
- 3.15. "Principles for Financial Market Infrastructure" or "PFMI" means Principles for Financial Market Infrastructure as published by the Bank of International Settlements on April 2012.
- 3.16. "Payment System Management Act" or "PSMA" means the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended.
- 3.17. "Service Provider" or "SP" means a person registered as contemplated in section 3(6) (a) of the Payment System Management Act, 2003 (Act No 18 of 2003), as amended, as a service provider.
- 3.18. "Tiered Participation Arrangement" means arrangements that occur when some indirect participants rely on the services provided by direct participants to use the FMI's central payment, clearing, settlement, or recording facilities.
- 3.19. "Payment System Operator" means a non-bank that provides services in relation to payment instructions, ie. it provides electronic means (including the delivery to and/or receipt of payment instructions) to two or more persons to allow such persons to make payments and/or to receive the proceeds of payment instructions.

4. **Authorisation** - PAN by virtue of section 3 (3) (c) of the PSMA is allowed to provide requirements and conditions for the registration of a person who is not a system participant as a service provider to provide one or more payment system services. Additionally, under section 3 (6) (a), PAN is mandated to register a person who is not a system participant as a service provider, and authorise such a person to provide one or more payment system services, if that person meets the requirements and conditions as set out in the Body's rules. This document shall serve as the Body's rules and shall hereafter be referred to as the Criteria.

5. **Purpose:** The purpose of this Criteria is to provide –

5.1. The authorisation requirements and conditions under which a person who is not a system participant can be registered as a service provider;

5.2. The operating requirements or conditions under which a licensed service provider will operate upon being registered by PAN; and

5.3. The different types and characteristics of service providers to be licensed by PAN.

6. **Scope:** This Criteria shall apply to all persons other than system participants that wish to operate in the Namibian National Payment System (NPS) as service providers. No person may provide payment system services without being duly assessed and registered by PAN to do so.

7. **Application of the PSMA:** Unless expressively stated otherwise, the provisions of the PSMA as well as its relevant Determinations, Directives, Circulars and Guidelines will apply to all types of service providers.

8. **Payment Intermediation Exemption:** On 1 February 2018, the Minister, by notice in the Government Gazette, after consultation with the Bank and PAN, and subject to the conditions contained in the Guidelines, has resolved to exempt a category of persons, namely, service providers, to provide payment intermediation services. The purpose of allowing service providers to provide payment intermediation services is to promote and enhance competition, innovation, financial inclusion and the provision of efficient and cost-effective payment services in the NPS.

9. **Types of Payment Service Providers:** The following types of service providers should register with PAN –

9.1. **Automated Clearing Houses:** Service providers that provide clearing systems whereby system participants can exchange data, documents and payment instruments and instructions relating to funds or security transfers to other system participants. Automated Clearing Houses that are considered as FMI will be registered by the Bank.

9.2. **Payment System Operators:** Service Providers that provide one or more payment services to system participants, payment instrument issuers, merchants and other payment system stakeholders. These include services that do not require the service provider to hold or intermediate funds and may include but not limited to payment gateways, payment switches and payment processors.

9.3. **Payment Intermediation Service Providers:** Service providers that provide payment intermediation services as per section 7 (1) of the PSMA. These service providers process payment transactions into their own merchant bank accounts (pool accounts) before the payment is passed on to the intended recipient and they may include but are not limited to payment facilitators, aggregators, debit order collectors.

10. **Application Criteria:** The service provider registration process is set out below:

10.1. Any person other than a system participant wishing to provide payment system services, must apply to PAN to be registered as a service provider. Such a person must complete PAN's application form and the self-assessment forms for registration to act as a service provider accompanied by the necessary documentation as prescribed in this Criteria. The application form as well as self-assessment forms are available on the PAN website: <http://www.pan.org.na>.

10.2. A system participant wishing to provide payment system services must create a new separate legal entity, with a separate board, which must apply to PAN to be registered as a service provider.

10.3. An applicant will only be issued with one license to act as a payment service provider regardless of the number of payment services provided. This license will be referred to as the **Payment Service Provider License**.

10.4. Each payment service offered will be duly assessed to ensure that it is safe, secure, efficient, cost effective and compliant to the operating requirements and conditions contained in this Criteria.

10.5. A service provider that intends on introducing an additional service(s) after obtaining its license must formally notify PAN of its intention 60 days before commencing operation. The notification must include all documentation and information as prescribed by this Criteria.

10.6. Application fees for registration will be determined from time-to-time by PAN as stated in Annexure C for Fees.

10.7. PAN reserves the right to categorise a service provider in one or more of the categories provided under section 9 above, as it deems necessary.

11. Registration Criteria for Payment Service Providers

The requirements and conditions for registration contained herein will apply to all types of service providers. The following documents and information shall be submitted to PAN upon submission of the application:

11.1. General Criteria

The applicant shall submit:

- a) A copy of its certificate of incorporation, memorandum and articles of association or other constituent documents under which it is established (these only need to be provided once unless they are changed);
- b) A copy of its annual report, latest audited annual financial statements or projected financial statements. In the event of the company being recently incorporated, this provision does not apply to them. However, if such company is a subsidiary of Holdings company, they should then provide the Holdings company's latest audited annual financial statements;

- c) A list of the names and details of the Chairperson, each Director and Chief Executive Officer of the service provider;
- d) A detailed business plan and operating model that includes the nature of the services, market penetration strategies, target market etc;
- e) A statement by its board of Directors that they are satisfied that the service provider's management meet the necessary expertise and qualifications.
- f) A report by its management in respect of achievement of service levels;
- g) A list of the payment clearance house (PCH) participants with whom it has or will enter into a service agreement in case of a clearing service;
- h) Copies of all operational service level agreements;
- i) A report, which should be made available on request, by the Chairperson of its audit committee or board that it is compliant with the criteria;
- j) Proof of business address in Namibia;
- k) Complete and submit Annexure A (Application for Service Providers) and Annexure B (PAN's Fit and Proper Requirements) attached hereto and
- l) Any information which the service provider is obliged to provide as set out herein.

11.2. Governance and Human Resource Criteria -

The service provider shall:

- a) Have documented governance arrangements that provide clear and direct lines of responsibility and accountability (there should be documented procedures for its functioning including procedures to identify, address and manage member's conflicts of interest). These arrangements should be disclosed to all relevant parties and where there is a broad market impact, the general public.
- b) The board should review its overall performance and the performance of individual board members at least once on an annual basis.
- c) The roles and responsibilities of management should be clearly specified and the management should have the appropriate experience and skills required to discharge their responsibilities.
- d) The Board should ensure that the risk management and internal control functions have the necessary authority, independence, resources and access to the board.
- e) A service provider's board of Directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the service provider's operational risk-management framework. Systems, operational policies, procedures and controls should be reviewed, audited and tested periodically and after significant changes.

- f) The directors and management of the service provider will be assessed in terms of the Fit and Proper Criteria set by PAN (see Annexure B) and made available to the directors and management of the service provider;
- g) The service provider should have clearly defined and documented organizational arrangements, such as an ownership and management structure. Each service provider should have appropriate segregation of duties and internal control arrangements to reduce the likelihood of mismanagement and fraud;
- h) The service provider should seek to ensure that it has an adequate number of properly trained and competent personnel to operate its system at a level it considers appropriate in all situations that it considers are reasonably foreseeable.
- i) All service providers are required to nominate a principal and an alternate representative for the PAN Service Provider Forum.

11.3. Financial Criteria

A service provider must prove that it is a going concern and for this purpose must:

- a) Be a registered company under the relevant Namibian legislation;
- b) have a domestic business bank account for business operation;
- c) Maintain accounting records on a continual basis and prepare financial statements that conform to the International Financial Reporting Standards (IFRS);
- d) Cause such records and annual financial statements to be audited;
- e) Be financially stable and viable to ensure that the payment services can be provided for at least twelve months or as directed by PAN; and
- f) Comply with relevant statutory requirements (including registration with the Ministry of Finance for income tax and value-added tax and the Social Security Commission).

11.4. Pricing Criteria

The service provider shall:

- a) Make appropriate provisions in respect of transparent pricing structures;
- b) Ensure that all charges, fees and commissions are displayed in a visible place and readily accessible; and
- c) Ensure that no undisclosed cross-subsidisation of a service provided by it shall take place and shall monitor such cross-subsidisation.

11.5. Legal and Contractual Criteria

The service provider shall:

- a) Clearly articulate the legal basis for its activities to all relevant authorities, such as the Bank and PAN, in a clear and understandable manner.
- b) Have rules, procedures and contracts that are enforceable in Namibia and there should be a high degree of certainty that actions taken under such rules and procedures will not be voided or reversed.
- c) Enter into written service agreements with each payment clearance house (PCH) participant and the person to whom services are provided, which must meet all the requirements of the PCH agreements, the PAN Regulatory Framework, PSMA and any other applicable Namibian laws.
- d) All agreements shall be governed by and construed according to Namibian law and the parties shall be subjected to the jurisdiction of the Namibian Courts; and
- e) Be able to comply with all relevant legislation as well as the regulations made in terms of those legislation (primary and secondary legislation), as may be applicable from time-to-time.

11.6. Operational and Risk Criteria

The service provider shall:

- a) Have a robust management and control system to identify, monitor and manage general business risk and hold sufficient liquid assets to cover potential general business losses so that it can continue providing services as a going concern. This amount should always be sufficient to ensure functionality of its critical operations and services over an appropriate time period.
- b) All risk management frameworks should be reviewed at least on an annual basis;
- c) Promptly and diligently adhere to all reasonable risk management and risk containment measures as requested in writing by PAN and the Bank or a payment clearance house participant group (PCH PG) from time to time;
- d) Participate at reasonable intervals at the written request of PAN, PCH PG or the person being serviced, in periodic, appropriate testing of its systems to identify and limit potential, unacceptable operational risks;
- e) Cooperate with PAN, the Bank or PCH PG to devise and implement enhanced risk management procedures in respect of risks identified by PAN, the Bank and/or PCH PG;
- f) Ensure that its audit committee and/or its auditors is/are fully informed of this Criteria and that a report by the audit committee and/or the auditors will address compliance with this Criteria; and
- g) Have comprehensive physical and information security policies that address all potential vulnerabilities and threats And should provide PAN with proof of compliance with all applicable domestic and international security and payment industry standards (e.g. PCI DSS, EMV,3D Security etc.);

- h) Familiarise itself with the Risk Based Oversight Policy Framework of the Bank and should ensure full compliance with the requirements of the framework.
- i) A service provider should, where applicable, establish explicit rules and procedures that address any credit losses it may face as a result of any default among its participants. These rules should address how uncovered credit losses will be allocated, including the repayment of funds the service provider may borrow from liquidity providers;
- j) Have the operational and technical capabilities to provide the payment system services for current and planned volumes and must further be able to comply with the procedures and related technical and operational standards of these payment system services;
- k) Maintain comprehensive, rigorous and well-documented systems, policies, procedures and controls to identify plausible sources of operational risk. Systems should be designed to ensure a high degree of security and operational reliability, adequate and scalable capacity, the integrity of its network and the timeliness of transactions in the face of malfunctions, system interruption and transmission failures or delays;
- l) Maintain reasonable, effective, well-documented and regularly-tested business contingency/continuity and disaster recovery plans addressing system functionality in the event of unforeseen interruption or wide-scale or major disruption;
- m) Ensure that Disaster Recovery Tests are conducted on a bi-annual basis and results are included in the quarterly submissions to PAN;
- n) Ensure that suitable incident and escalation management procedures are in place between all the operational stakeholders (ie. the system participant, PAN, the Bank and the person to whom the service is provided);
- o) Ensure that the service provider's contact person(s) is/are available, adequately skilled, duly empowered to take decisions and that their escalation procedures are reviewed and tested on a regular basis; and
- p) Keep records of each payment instruction processed by it for a period of five (5) years as required by the PSMA.

11.7. Consumer Protection Criteria

A service provider shall ensure that -

- a) Consumers are provided with clear, relevant and accurate information, including on cost, during the sales process;
- b) Consumers are recommended a product/service appropriate to their needs and suitable for them; and
- c) Consumers receive a high standard of follow-up services, e.g. making a claim, laying a complaint, switching product, dealing with errors, policy renewals etc.

d) Ensure that it has consumer complaints procedures in place. The procedures should in particular make provision for complaints to be submitted to PAN in the event of consumers being unsatisfied with the manner in which the service provider addressed their complaint.

118. Anti-money laundering / Countering the Financing of Terrorism (AML / CFT) and combating the Proliferation financing (CPF)

a) Prospective SPs are required to demonstrate to PAN/FIC, how their proposed businesses / services would be structured to mitigate potential Money laundering, Terrorist Financing and Proliferation Financing risks.

b) Existing or licensed SP's are required to demonstrate to that, relevant AML/CFT/CPF risk management measures related to existing and new services they would like to offer, before approval is availed for such new services.

c) Prospective PISPs should have the following documents:

- i. ML/TF/PF Risk assessment
- ii. FIA compliance assessment which should cover the following obligations:

- Customer Due diligence (CDD) and Enhanced Due Diligence (EDD);
- record keeping;
- account/transaction/client monitoring systems;
- UNSC sanction screening
- reporting of suspicious transactions/activities;
- reporting of Cash Threshold Reports (CTRs);
- AML/CFT/CPF awareness raising and training of staff;
- Designate a FIA compliance officer;
- iii. Self-assessment/reviews (independent audit function).

12. Additional Operating Conditions

121. Service Level Agreements

A service provider must ensure sound Service Level Agreements with all parties involved in the provision of payment intermediation services. This includes agreements entered into with banking institutions where the "pool" account is held and merchants or persons to whom the service is being rendered to. The Service Level Agreement should, among others, address the following issues

a) Clarification of roles, responsibilities, and contractual liabilities of the parties to the agreement;

- b) Responsibilities of both the parties providing and receiving information / instructions regarding payment intermediation services;
- c) Agreement as to whether other service providers will be used, including their roles and responsibilities;
- d) Ownership, management and protection of customer data, transaction data, and other information;
- e) Change management procedures and business continuity plans;
- f) Settlement of dispute arrangements;
- g) Proper crisis and problem management, including escalation procedures;
- h) Performance in terms of service levels;
- i) A disaster recovery plan which insures continuity of all functions performed by it on behalf of the persons to whom the services are rendered;
- j) The liability of each party;
- k) The respective rights of PAN and the Bank to monitor and audit the operations, policies, procedures, internal controls, business continuity and contingency plans of the PISP; and
- l) Any other requirements as determined by PAN.
- m) Ensure that the licensed payment system service will have priority at all times;
- n) Enter into a service level agreement with all participants using the payment service;
- o) The service provider acknowledges that the practice of, netting, float holding and sort at source are undesirable practices and shall ensure that these practices are not allowed and
- p) Ensure that agreed service levels with its clients are consistently met.

12. Oversight and Reporting:

A service provider will allow PAN to conduct onsite inspections at any given point in time. A service provider is required to submit to PAN, in a prescribed format, information / statistics regarding the payment intermediation services, indicating updates since the last report as well as cumulative totals through the calendar year.

13. Specific requirements for Automated Clearing Houses

All Clearing Houses Service providers that are recognised and designated by the Bank as a systematically important FMI will be registered by PAN and overseen by the Bank in accordance with the CPSS-IOSCO

methodology.

13.1 Framework for the Comprehensive Management of Risk

- a) The clearing service provider must be separate from other entities which may expose it to risks unrelated to those arising from its function as clearing house.
- b) The clearing service provider should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down.
- c) A clearing service provider should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of obligations.
- d) A clearing service provider should determine the amount and on a regular basis test the adequacy of its financial resources available in the event of a default or multiple defaults in extreme but credible market conditions through arduous stress testing.
- e) A service provider should where applicable establish robust frameworks to manage its credit exposures to its participants as well as the credit risks arising from its payment, clearing and settlement processes.
- f) A service provider should be able to identify sources of credit risk, routinely measure and monitor credit exposures and implement appropriate risk-management tools to control the credit risks identified.
- g) A clearing service provider should create clear rules and procedures that address fully any credit losses it may face as a result of any default or combined default among its participants with respect to any of their obligations towards the clearing services.
- h) The abovementioned rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds the clearing service provider may have borrowed from liquidity providers as well as how the clearing service provider will replenish financial resources that they might have employed during a stress event in order for the clearing service provider to continue to operate in a safe and sound manner.

13.2 General Business Requirements

- a) A clearing service provider should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors of the clearing service provider and updated regularly.
- b) A clearing service provider should maintain sufficient insurance cover for any possible liabilities that it may incur as part of their normal business operations as well as claims that they may need to honour.

- c) A clearing service provider should allow for fair and open access to its services to direct participants and, where relevant, indirect participants and other clearing houses, based on reasonable risk-related participation requirements. The clearing service provider should further provide PAN with a copy of its Criteria.
- d) The clearing service provider should be designed to meet the needs of its participants and the markets it serves, in particular with regard to choice of a clearing arrangement; operating structure; scope of products cleared, settled, or recorded and use of technology and procedures.
- e) The clearing service provider should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations and business priorities
- f) A clearing service provider should have established mechanisms for the regular review of its efficiency and effectiveness.

13.3. Tiered Participation Arrangement

- a) Where tiered participation exists, a clearing service provider should identify, monitor, and manage the material risks to the clearing service provider arising from tiered participation arrangements. Ultimately direct participants are held responsible for risks introduced to the clearing service provider.
- b) A clearing service provider should ensure that its rules, procedures and agreements allow it to gather basic information about indirect participation in order to identify, monitor and manage any material risks to the clearing service arising from such tiered participation arrangements.

13.4. Clearing House Links

- a) The clearing service provider that establishes a link with one or more clearing service provider should identify, monitor, and manage link-related risks.
- b) The clearing service provider must implement a legal framework to support the operation of any link arrangements, validating that links have a well-founded legal basis and provide it with adequate protection against legal risk, ensuring that the well-founded legal basis and adequate protection are maintained over time.
- c) The clearing service provider should identify and manage the potential spill-over effects from the default of a linked clearing house.
- d) Each clearing service provider in a linked arrangement should be able to cover, at least on a daily basis, its current and potential future exposures to the linked clearing service provider and its participants, if any, fully with a high degree of confidence without reducing the clearing service provider's ability to fulfil its obligations to its own participants at any time.

13.5. Communication and Security Procedures and Standards

- a) A clearing service provider should use, or at a minimum accommodate, internationally accepted communication procedures and standards that can accommodate interoperability between the ACH/

CSD, its participants, their customers, and other users.

- b)** An ACH/CSD should use, or at minimum accommodate, internationally accepted communication and security standards, such as standardised messaging formats and reference data standards for identifying financial instruments.

13.6. Disclosure of Rules, Key Procedures and Market Data

- a)** The clearing service provider should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the clearing system. All relevant rules and key procedures should be publicly disclosed.
- b)** A clearing service provider should provide all the necessary training and appropriate documentation to facilitate the participants understanding of the clearing service provider's rules and procedures as well as the risks they might face from participation in the clearing environment.
- c)** These rules and procedures should be reviewed on at least an annual basis to establish whether they are current and if they should rather be incorporated elsewhere.
- d)** A clearing service provider should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The clearing service provider should provide clear descriptions of priced services for comparability purposes.

13.7. Additional Requirement specifically for Central Securities Depository (CSD) Clearing Leg

A CSD should:

- a)** Have suitable procedures and controls including robust accounting practices to safeguard the rights of securities issuers and holders, prevent the unauthorised creation or deletion of securities and conduct daily reconciliation of securities issues it maintains.
- b)** Prohibit overdrafts and debit balances in securities.
- c)** Should maintain securities in an immobilised or dematerialised form for their transfer by book entry.
- d)** Protect assets against custody risk through appropriate rules and procedures consistent with its legal framework.
- e)** Employ a robust system that ensures segregation between the CSD's own assets and the securities of its participants and segregation among the securities of participants.
- f)** Identify, measure, monitor and manage its risks from other activities that it may perform and implement additional tools or measures where necessary to address these risks.

14. Specific requirements for Payment System Operators (PSO)

PSO service providers should in addition to the general requirements for service providers also comply with the following:

14.1. Supply information requested regarding the person being serviced in terms of the written mandate of such person and/or the provision of the PSMA to the Bank or PAN where applicable. Client information of any nature (such as client names and account numbers) is excluded from such mandate or provision;

14.2. Keep the information in respect of the services rendered to any person confidential and separate from the bank accounts from which funds are to be paid from or to which funds are to be transferred to;

14.3. In respect of the bank accounts from which funds are to be paid from or to which funds are to be transferred to, service providers should only act in accordance with instructions issued by the person to whom the service is rendered, and not pay such funds from or transfer such funds to its own account;

14.4. Refrain from providing services which allow the offsetting of mutual obligations by trading partners or persons for whom they are processing payment instructions;

14.5. Have tested its systems to ensure it is operationally and technically capable of providing the service:

(a) That its systems are interoperable with the relevant banks and/or ACH; and

(b) Must be confirmed by the appropriate PCH ACH or if relevant, each of the banks concerned, which confirmation shall not unreasonably be withheld.

14.6. Submit any other documents that PAN may require to complete the application.

15. Specific conditions for Payment Intermediation Service Providers (PISPs)

15.1. Merchant Bank Account (Pooled Funds)

a) A PISP shall open and maintain a merchant bank account with one or more Namibian licensed banking institution to pool funds for the purpose of providing payment intermediation services.

b) Funds held in a merchant bank account for the purpose of providing payment intermediation services must not form part of the PISPs assets or comingled with the PISPs own funds.

c) Funds intermediated through a "pool" account must be paid over to a recipient to whom the funds are due within two (2) banking business days from the date when the funds were received by the PISP.

d) Ensure that the balance on the pool account shall at all times be equal to the total outstanding

(un-claimed) balance of all holders of the PISP under the service.

15.2. Capital Adequacy

- a) At the time of licensing, a PISP is required to hold an initial capital amount of N\$1 million.
- b) After the license is issued, a PISP is required to maintain, at all times, an ongoing capital amount that is on average equivalent to the amount of funds held in the merchant bank account.
- c) PAN reserves the right to waive this condition or impose such further conditions as it deems necessary.

15.3. Additional Requirements

- a) A PISP must comply with the Bank's Guidelines for Payment Intermediation Service Provider in the National Payment System.
- b) Authorisation to provide payment intermediation services will not include nor be deemed to be the same as the authorisation to issue payment instruments / stored value facilities or electronic money in the National Payment System.
- c) A PISP must have clear and accepted resolution mechanisms in place;
- d) A PISP may not give access to any other person to the bank account via which payments to third persons are facilitated;
- e) A PISP must keep record of all individual payments received on behalf of and for making payment to beneficiaries, for a period of five years; and
- f) A PISP must ensure that the services being provided and systems being used are sufficiently sound and sophisticated so as not to bring risk to the NPS.

16. Notifications

16.1. Terms and Conditions: A service provider must submit a notification to the PAN of its intention to modify any Service Level Agreements and / or Terms and Conditions. This notification must be submitted at least 30 business days prior to the proposed date for modification.

16.2. Fees and Charges: A service provider must submit a written notification to PAN of its intention to modify any of the fees and charges applicable to its clients. This notification must be submitted at least 30 business days prior to the proposed date for modification of fees and charges.

16.3. Change in Business Operations / Models: A service provider must submit a written notification to PAN of its intention to modify any its business operations / model. This notification must be submitted at least 30 business days prior to the proposed date for modification of business operations.

16.4. Change in Ownership: A service provider that wishes to transfer or sell its Payment Service Provider license should notify PAN and provide an explanation of such an intention in writing immediately. The service provider shall provide PAN with full details of such an arrangement on which PAN will respond with its position and the way forward within 60 business days.

17. Termination or Withdrawal of Authorisation

17.1. A service provider intending to discontinue or terminate the provision of its services as a service provider must notify PAN of its intention to do so at least three (3) months before the termination date, in which event the authorization granted to it will be withdrawn.

17.2. Should PAN, in consultation with the Bank, decide to terminate or suspend authorization from a service provider, PAN must notify the service provider of its intention to do so at least three (3) months before the date on which the authorization granted to it will be withdrawn unless the Bank in consultation with PAN issues a directive in terms of section 3(6) of the PSMA for the operator to cease business immediately.

17.3. Termination of any operation and/or withdrawal of authorization shall not release the service provider from any liability or obligation which at the time of termination or cancellation has accrued to it or which thereafter may accrue in respect of any act or omission prior to such termination or cancellation, unless such obligation is cancelled by a court of competent jurisdiction.

18. Non-Compliance

18.1. If a person fails to meet the Criteria and requirements set out in this document, PAN may refuse to authorise such a person as a service provider in consultation with the Bank.

18.2. In the event of an annual renewal of an authorisation for an existing service provider, PAN may refuse to renew the authorisation or delay or conditionally extend the authorisation for a stipulated period to enable the service provider to achieve compliance.

18.3. In the event that a service provider refuses/fails to comply with this Criteria, PAN may terminate the service provider licence.

18.4. PAN will follow the process set out in the PAN Compliance Enforcement Framework that is aligned with the requirements of PSD 8.

19. Application Process

19.1. The application form must be submitted at the following address:

Payments Association of Namibia
P.O Box 134
Windhoek
144 Jan Jonker Road, 4th Floor, IKON Building,
Ausspannplatz, Windhoek, Namibia

Or via email at info@pan.org.na.

19.2. PAN will acknowledge receipt of the application within five (5) business days.

19.3. If all required documentation has been submitted, PAN will inform the applicant within sixty (60) days on the success of their application.

19.4. Should the required documentation not be available to PAN and a request for further information is necessary, the sixty (60) day period will only commence once the applicant has submitted all the required documentation to PAN.

19.5. A service provider shall be registered by PAN in consultation with the Bank. The process required to authorise a new service provider can be summarised as follows:

- a) PAN shall evaluate the service provider against the Criteria set out above, and shall decide whether to authorise the service provider;
- b) If authorised, the evaluation and authorisation by PAN shall be referred to the Bank for appropriate consideration and endorsement;
- c) The Bank may, in the execution of its mandate and in its responsibility to support the risk function performed by PAN, also advise on any issues relative to risk;
- d) PAN shall consider the respective recommendations of the Bank and shall authorise or decline to authorise the new service provider.

19.6. A service provider complying with the above Criteria and requirements will be authorized by PAN for the period of one (1) year where after the licence will be renewed.

20. License Renewal

20.1. A service provider must annually, three (3) months before the expiry of its authorization, apply for renewal of its authorization.

20.2. The application must be accompanied by confirmation by its chief executive officer/managing director or board of directors in terms of its compliance with the Criteria and above and supported with documentary proof where appropriate.

20.3. The application will be considered by PAN who will, on condition assess that the Criteria are met, renew the authorization in terms of the Criteria.

20.4. The application for renewal shall be accompanied by a non-refundable renewal fee as stated in Annexure C Fees.

21. Conclusion

21.1. These Criteria are not exhaustive and may be reviewed, supplemented and/or amended from time to time.

21.2. Service providers or persons who are uncertain whether their current or future practices are aligned with this Criteria should initiate discussions with PAN to clarify the matter.

22. Repeal of PAN Entry and Participation Criteria

These Entry and Participation Criteria repeal and replace the PAN Entry and Participation Criteria in Namibia published on August 2007.

23. Effective Date

This Criteria will become effective on date of signature. However, existing service providers will be granted a six-month grace period to comply with this Criteria from date of signature.

24. Enquiries -

All enquiries related to this Criteria must be forwarded to:

The Chief Operating Officer
Payments Association of Namibia
PO Box 134,
Windhoek

+264 61 415 420

info@panorgna

4th Floor, Ikon Building,
144 Jan Jonker Avenue, Windhoek

ANNETTE RATHENAM
CHIEF OPERATION OFFICER
11th MARCH 2019



PAYMENTS ASSOCIATION OF NAMIBIA

All enquiries related to this Criteria must be forwarded to:

The Chief Operating Officer
Payments Association of Namibia
PO Box 134,
Windhoek
+264 61 415 420
info@pan.org.na