

NAM CLEAR



PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES

Disclosure

Responding institution (FMI):	Namclear
Jurisdiction in which the FMI operates:	Namibia
Authority regulating, supervising, or overseeing the FMI	Bank of Namibia
The date of this disclosure	The assessment was conducted as at 31 December 2023 and publication date is 30 August 2024
This disclosure can also be found at:	www.namclear.com.na
For further information, please contact:	Fabian Tait at ftait@NamClear.com.na

Table of Abbreviations

Abbreviation	Meaning
ACH	Automated Clearing House
AFS	AFRITAC–South
BON	Bank of Namibia
CCP	Central Counterparty Clearing House
CPSS	Committee on Payment and Settlement Systems
FMI	Financial Market Infrastructures
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
King IV	The Institute of Directors Southern Africa: King IV Report on Corporate Governance for South Africa 2016
NamCode	NamCode: The Corporate Governance Code for Namibia
NISS	Namibia Interbank Settlement System
PFMI	Principles for Financial Market Infrastructures
PSO	Payment System Operator
SIT	System Integration Testing
UAT	User Acceptance Testing

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1. Executive Summary

1. Executive Summary

This report constitutes Namclear's public disclosure of the self-assessment conducted against the Principles for Financial Market Infrastructures (PFMI). The self-assessment assessed Namclear as at 31 December 2023.

Consistent with the objectives of the PFMI, this self-assessment has been completed by Namclear in its role as the Namibian Automated Clearing House (ACH) and as a designated Financial Markets Infrastructure (FMI) for the Namibian Payment Industry. This publication follows a principle-by-principle narrative in alignment with the published PFMI disclosure template, to aid comparison with the disclosures published by other FMIs.

The self-assessment was conducted as an in-house exercise and has been reviewed and approved by the Bank of Namibia.

This report contains the result of Namclear's assessment against the 23 principles (as they apply to Namclear), under the guidance of the Committee on Payment and Settlement Systems (CPSS)- International Organization of Securities Commissions (IOSCO) and AFRITAC-South (AFS) of the International Monetary Fund (IMF).

The summary of assessment ratings concluded that (13) principles have been 'observed' and two (2) principles have been 'broadly observed'.




2. General background of the FMI

2. General background on the FMI

Namclear is the Namibian National Payment Clearing House and has been licensed as a Payment System Operator (PSO) by the Bank of Namibia (BON). As its core service, the company provides the local clearing of interbank transactions, such as electronic fund transfers, card payments, as well as settlement, on behalf of the participants through the Namibia Interbank Settlement System (NISS), with the Bank of Namibia.

Namclear was established as the local clearing house for commercial banks. The company was incorporated in November 2003 and became an Association not for Gain in terms of section 21 of the Namibian Companies Act 28 of 2004, in 2020.

A grayscale photograph of a hand holding a smartphone over a laptop keyboard. The image is semi-transparent, serving as a background for the text. The hand is positioned in the center-right, holding the phone vertically. The laptop keyboard is visible in the foreground, and the background shows a blurred office or desk environment.

3. Principle-by-principle summary narrative disclosure

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Principle 1: Legal basis

Rating: Observed

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

Summary narrative

Namclear operates under a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in Namibia.

Namclear appointed a Legal and Compliance Officer as its in-house Legal department, as led by the Manager: Risk and Compliance.

Agreements and contracts are reviewed internally to determine their applicability and enforceability. The process would involve our external attorneys when additional input is required from external counsel.

Namclear ensures that all the agreements and contracts are reviewed and enforceable to participants and members before their conclusion.

Principle 2: Governance

Rating: Observed

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

Summary narrative

In an effort to ensure clear and transparent governance arrangements, Namclear has implemented the Governing Board of Directors and Executive Management appointment procedures outlining the minimum skills and expertise required for the appointment of the Board of Directors, as well as setting out the grounds for disqualification for appointment.

To ensure that the interests of Namclear's Stakeholders are considered and included in the decision-making process and the sustainability of the business, Namclear has developed and implemented a Communication Policy.

3. Principle-by-principle summary narrative Disclosure (cont.)

Namclear has undertaken to conduct a Board performance evaluation exercise on an annual basis to establish the Board’s effectiveness in fulfilling its obligations, determine its strengths and weaknesses and develop a tailored roadmap for sustained improvement and the enhancement of overall Board Performance. The 360-degree review exercise is carried out in accordance with the expectations of Chapter 2 of the NamCode: The Corporate Governance Code for Namibia (“the NamCode”), the Institute of Directors Southern Africa: King IV Report on Corporate Governance for South Africa 2016 (“King IV”), best practice and the Namclear Board and Committee Charters.

Namclear also employs an in-house internal systems auditor who provides independent and objective evaluations of Namclear’s operational business activities by reviewing Namclear’s business processes and the implementation of Namclear’s internal policies and procedures.

Succession plans are in place for the key roles within Namclear which ensure that the business can continue to run smoothly and without interruption as a result of employee movements.

Principle 3: Framework for the Comprehensive management of risks

Rating: Observed

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

Summary narrative

Namclear has implemented a Wind-Down Policy which is aimed at preparing the organisation to assess its resources on hand against the resources it would require to wind-down its payments streams or operations in an orderly manner, and to provide regulators with the necessary details on how Namclear would wind-down its business activities.

3. Principle-by-principle summary narrative disclosure (cont.)

Principle 4: Credit risk	Rating: Observed
<p>An FMI should effectively measure, monitor, and manage its credit exposure to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, central counterparty clearing house (CCP) that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two largest participants and their affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions. Moreover, all other CCPs should maintain, at a minimum, total financial resources sufficient to cover the default of the one participant and its affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions.</p>	

Summary narrative

Namclear has no exposure arising from payment, clearing or settlement processes, as it does not extend credit, store value, or guarantee settlement, accordingly, the elements relating to this key consideration have not been responded to in this self-assessment.

3. Principle-by-principle summary narrative disclosure (cont.)

Principle 7: Liquidity risk	Rating: Observed
<p>An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</p>	

Summary narrative

Although Namclear is not required to hold and maintain liquid resources of its own to support settlement, a liquidity monitoring tool has been implemented in Namclear, which allows participants to monitor the settlement exposure in each payment stream on an ongoing basis to notify participants in advance of their settlement obligations.

Principle 8: Settlement Finality	Rating: Observed
<p>An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</p>	

Summary narrative

Namclear is not directly engaged in the settlement process. All Namclear’s systems and processes are geared towards providing the relevant settlement files (MT205) to the Bank of Namibia (NISS) system for the purpose of settlement as to reduce settlement risk.

3. Principle-by-principle summary narrative disclosure (cont.)

Principle 13: Participant-default rules and procedures

Rating: Observed

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

Summary narrative

Namclear, in conjunction with the Bank of Namibia, has documented a Policy that defines procedures and responsibilities of each party in the event of a default. Namclear, thus, has adequate formalised procedures pertaining to service suspension, i.e. Procedures on Service Suspension.

Principle 15: General Business Risk

Rating: Observed

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialize. Furthermore, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

Summary narrative

Namclear is a section 21 Non-profit associations and does not have any plans to raise equity. The Namclear Board of Directors is responsible for reviewing Namclear’s financial position to ensure the company is a going concern, self-funded and self-sustainable.

3. Principle-by-principle summary narrative disclosure (cont.)

Principle 16: Custody and investment risks

Rating: Observed

An FMI should safeguard its own and its participants' assets and minimize the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

Summary narrative

Namclear has an investment policy that guides investment decisions. Namclear safeguards its own and its participants' assets and minimises the risk of loss on and delay in access to these assets. Namclear's investments are instruments characterised by minimal credit, market, and liquidity risks.

Principle 17: Operational risk

Rating: Observed

An FMI 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 fulfillment of the FMI's obligations, including in the event of a wide-scale or major disruption.

Summary narrative

Namclear has made a considerable investment in the mitigation of operational risk. The organisation is confident that it has appropriate structures to safeguard itself and its participant banks from operational risk that could potentially impact the payment systems in which Namclear operates.

3. Principle-by-principle summary narrative disclosure (cont.)

Principle 18: Access and participant requirements

Rating: Observed

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

Summary narrative

In an effort to boost its monitoring of compliance with the participation requirements, Namclear performs robust due diligence checks on prospective participants by verifying legal, financial, and operational requirements against an onboarding checklist of mandatory evidence. Namclear has also developed and implemented a Contract Management policy which is aimed at establishing a robust framework to, amongst others, ensure that all contracts undergo the necessary reviews and approvals prior to the signing of contracts and also identifies the party(-ies) authorised to sign contracts on behalf of Namclear. Furthermore, Namclear has adopted a risk and compliance management software that automates and facilitates a structured and systematic risk management approach, simplifying the legal and regulatory compliance function.

Principle 19: Tiered Participation Arrangements

Rating: Observed

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

Summary narrative

The risk profiles of indirect participants are undertaken by the bank responsible for sponsoring the said (indirect) participant. A mandate and a Net-Connect Agreement are also signed to ensure appropriate risk control.

Namclear follows its onboarding checklist when onboarding a new indirect participant and follows a strict approach in that onboarding is first done in the System Integration (SIT) phase. Secondly, onboarding is undertaken in the User Acceptance phase (UAT), and lastly, in the production phase. Namclear has documented the criteria for mitigation and monitoring of risk emanating from tiered participation.

3. Principle-by-principle summary narrative disclosure (cont.)

Principle 21: Efficiency and effectiveness

Rating: Observed

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

Summary narrative

The emphasis that Namclear puts into engaging with the Bank of Namibia and the broader industry in the development of its systems as well as its products, along with the constant effort that goes into monitoring the adequacy of these systems for the purpose of ensuring the effectiveness and efficiency of the national payments system is testimony to this principle being observed.

Principle 22: Communication procedures and standards

Rating: Broadly Observed

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

Summary narrative

With the implementation of NAMPAY, Namclear adhere to ISO20022 protocol for NAMPAY and NAMSWITCH adhere to ISO8583 protocol. There are clear signs that the local payments industry is moving toward international standards, thereby enabling Namclear to have a greater degree of adherence to this principle. Namclear’s full application of this principle is, however, dependent on the development of the industry in this regard.

3. Principle-by-principle summary narrative disclosure (cont.)

Principle 23: Disclosure of rules, key procedures, and market data

Rating: Broadly Observed

An FMI 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 FMI. All relevant rules and key procedures should be publicly disclosed.

Summary narrative

Namclear has clear and comprehensive rules and procedures and provides sufficient information to give participants an accurate understanding of the risks, fees, and other material costs they would incur by participating in the FMI. These are provided upon reasonable request.




4. Acknowledgement

5. Acknowledgement

Signed:

Name: Fabian Tait

(Managing Director)

Signature: 

Date: 22/08/2024



C/O Feld & Rieks van der Walt street, Windhoek, Namibia
Tel: +264 61 375250 | Fax: +264 61 375252 | Email: info@namclear.com.na
namclear.com.na

THANK YOU