

# **BANK OF NAMIBIA**

**No.17**

**1999**

## **DETERMINATIONS UNDER THE BANKING INSTITUTIONS ACT, 1998 (ACT NO 2 OF 1998)**

In my capacity as Governor of the Bank of Namibia (The Bank) and under the powers vested in the Bank by virtue of section 71(3) of the Banking Institutions Act, 1998 (Act No 2 of 1998), I hereby issue Determinations on the Compulsory Suspension of Cheque Accounts by Banking Institutions (BID-12), which Determinations shall become effective on 1 April 1999.

**T K ALWEENDO  
GOVERNOR**

**Windhoek, 18 December 1998**

**BID-12**

## **DETERMINATIONS ON COMPULSORY SUSPENSION OF CHEQUE ACCOUNTS BY BANKING INSTITUTIONS**

### **OVERVIEW**

The Bank of Namibia is responsible for the safety and soundness of the payments system in Namibia. The payments system is an enabler of economic activity in that it provides the conduit essential for effecting payments, domestically and internationally. The credibility of the payments system is therefore of paramount importance.

The prevalence of cheques which are referred to drawer due to insufficient funds is a matter of concern as this impacts negatively on the creditability and efficiency of the payments system.

The Bank of Namibia has therefore issued these Determinations to provide for the compulsory suspension of cheque facilities where a cheque account is mismanaged or abused by the customer.

Banking institutions are encouraged to continuously educate and inform their clients on the proper management of cheque accounts and on the provisions of these Determinations. Clients should further be informed that the issuing of cheques with insufficient funds available in the cheque account in respect of which the cheque is being issued, constitutes a criminal activity punishable at law.

#### **1. Screening of new applications**

All applications for new cheque facilities shall be subject to the following screening:

- 1.1 Interbank confirmation of previous cheque account status,
- 1.2 Checking of ITC record,
- 1.3 Confirmation of monthly income, and
- 1.4 References on previous financial commitments.

## **2. Internal control systems**

Banking institutions are expected to develop and maintain internal control systems which further aim at reducing the occurrence of refer to drawer cheques due to insufficient funds. Such are for instance prompt and regular follow ups with customers who appear to be experiencing difficulty in the management of their accounts.

## **3. Suspension of a cheque account facility**

A cheque account in respect of which five cheques are referred to drawer due to insufficient funds over a period of three months shall immediately be suspended and, as a minimum requirement, the following further action shall forthwith be taken by the banking institution at which such an account is held:

- 3.1 In the case of a first time offender the cheque facility shall be suspended for a period of six months.
- 3.2 In the case of second time offender the cheque facility shall be suspended for a period of one year.
- 3.3 In the case of a third time offender the cheque facility shall be suspended for the next five years.
- 3.4 During the period of suspension as provided for under paragraphs 3.1, 3.2 and 3.3, the customer shall not be entitled to a cheque facility with the banking institution effecting the suspension. After the suspension period has elapsed, the cheque facility may be reinstated at the discretion of banking institution and the customer is permitted to apply for cheque facilities with any other banking institution in Namibia.

3.5 The suspension of the cheque account at the branch of the banking institution shall immediately be reported to the head office of the banking institution concerned.

3.6 For the purposes of these Determinations, the compulsory suspension of a cheque facility shall, as a minimum requirement, only compel a banking institution to withdraw the cheque book facilities of the client concerned for the duration of the suspension period.

#### **4. Data base**

Every banking institution shall, at its head office maintain a list of all accounts, which have been suspended in terms of paragraph 3 above. Such a list must be updated every three months.

The list shall be made available for inspection and verification by the Bank.

#### **5. Prohibition**

No banking institution shall open a new cheque account for a person whose account has been suspended in terms of paragraph 3 above. Thus prior to the opening of a new cheque account a compulsory interbank check must be conducted.

The head office of a banking institution shall be responsible for ensuring that no persons whose accounts have been suspended are permitted to open new cheque accounts at any of its branches in Namibia.

#### **6. Alternative facility (ies)**

Where a cheque facility has been suspended in terms of these Determinations, alternative arrangements may be made to enable the customer to transact with the banking institution, but no cheque books may be issued to the customer for the duration of the suspension period.

**7. Exemption**

A banking institution may, in exceptional circumstances, approach the Bank where special circumstances exist in the case of a first time offender, for approval not to suspend that person's cheque facility.

**8. Reporting Requirement**

Every banking institution shall, within 21 days of the end of each sixth calendar month, completed and submit to the Bank the form annexed hereto and marked "Annexure A" BID-12.

**ANNEXURE A  
 BID-12**

**REPORT ON COMPULSORY SUSPENDED CHEQUE ACCOUNT FACILITIES**  
 (Confidential and not available for inspection by the public)

BANKING INSTITUTION: ..... FOR THE PERIOD ENDED: .....

	Customer	Account No.	Value of Cheques Returned	No of Cheques returned	Category of Offender	Branch	Date Suspended	Balance at Suspension Date
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								

Principal Officer ..... Chief Accounting Officer .....

Date ..... Date .....

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