



# GOVERNMENT GAZETTE

## OF THE

# REPUBLIC OF NAMIBIA

N\$2.00

WINDHOEK - 20 June 2005

No.3449

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## General Notice

### BANK OF NAMIBIA

No. 101

2005

#### DIRECTIVE UNDER THE BANK OF NAMIBIA ACT, 1997 (ACT NO. 15 OF 1997) (AS AMENDED)

In my capacity as Chairperson of the Board of the Bank of Namibia, and under the powers vested in the Board by virtue of section 59(2) of the Bank of Namibia Act, 1997 (Act No. 15 of 1997), as amended by the Bank of Namibia Amendment Act, 2004 (Act No. 11 of 2004), I hereby issue the Directive on the Minimum Reserve Requirement (BON-D 1/2005) as contemplated in section 35 of the Act.

**T.K. ALWEENDO**  
**GOVERNOR**

Windhoek, 30 May 2005

### THE MINIMUM RESERVE REQUIREMENT

#### Overview

Section 35 of the Bank of Namibia Act, 1997 (Act No. 15 of 1997) as amended, (hereinafter "the Act") allows the Bank to use minimum reserve balances as a monetary policy instrument. Further amendments are made in view of the fact that the Namibia Interbank Settlement System (NISS) has been enhanced to record and maintain the required, actual or current balances on the Reserve Account of each banking institution.

The Bank regards the minimum reserve requirement as a monetary policy instrument that may be adjusted from time to time based on conscious monetary policy decisions.

## 1. THE MINIMUM BALANCE ON THE RESERVE ACCOUNT

In terms of Section 35(1) and 35(2) of the Act, a banking institution shall maintain an account with the Bank in which such banking institution shall maintain a minimum reserve balance (hereinafter “the Reserve Account”).

A banking institution shall deposit or transfer into that banking institution’s Reserve Account an amount of money equal to one (1) per cent of that institution’s average daily amount of total liabilities to the public. The procedures to be followed to comply with this requirement is set out in paragraph 3 below, while the definition of a banking institution’s average daily amount of total liabilities to the public is provided in paragraph 4 below.

The Reserve Account shall be managed independently from all other accounts a banking institution may have with the Bank of Namibia.

## 2. INTEREST ON THE RESERVE ACCOUNT

Any balances on Reserve Account maintained by a banking institution with the Bank of Namibia shall not attract any interest.

## 3. PROCEDURE FOR DETERMINING MINIMUM BALANCES ON THE RESERVE ACCOUNT

### 3.1 Basis for determining minimum reserve balances

The minimum reserve balance to be held on the Reserve Account shall be the amount equal to 1 (one) per cent of the average daily amount of a banking institution’s total liabilities to the public. This balance shall be maintained for the periods as set out in paragraph 3.2 below.

### 3.2 Period of maintenance of required minimum reserve balance

A banking institution shall maintain on a daily basis the required minimum amount on its Reserve Account as contemplated in paragraph 3.1 above, for the period running from the fifteenth day of one month, up to and including the fourteenth day of the following month.

The accompanying table illustrates, by way of an example, how the period for maintaining the minimum reserve balance relates to the reporting period for the average daily amount of the banking institution’s total liabilities to the public.

Period for maintaining the minimum reserve balance	Reporting period for the average daily amount of the banking institution’s total liabilities to the public
15 August to 14 September 2005	1 to 31 July 2005
15 September 2005 to 14 October 2005	1 to 31 August 2005
15 October 2005 to 14 November 2005	1 to 31 September 2005

## 4. Average daily amount of total liabilities to the public

For the purposes of calculating the minimum reserve amount, the average daily amount of total liabilities to the public, shall be determined by aggregating the total liabilities of all the calendar days in a given month divided by the number of calendar days of the same month.

In determining the average as described above, the total liabilities as at the end of the previous working day shall be used for liabilities on Sundays and Public Holidays. Total liabilities (including foreign liabilities) shall mean deposits, loans and advances received and other liabilities to the public, but excluding capital funds.

No setoff of investment in negotiable certificate of deposits and inter-bank term deposits/loans shall be allowed in determining average daily amount of total liabilities to the public for purposes of calculating the minimum reserve balance.

#### **5. Reporting period and submission of returns**

A banking institution shall furnish a return to the Bank, as per the attached Form MRR 1, in accordance with the provisions of circular BIA2/05. The completed Form MRR1 shall be submitted to the Bank in accordance with the procedures laid down in the said circular and shall reflect a banking institution's average daily amount of total liabilities to the public and shall be lodged with the Bank on or before the 14th day of the month in respect of the information of the previous calendar month.

Based on the information reflected on Form MRR 1, the Bank shall determine the required minimum balance on the Reserve Account for each banking institution and shall reflect that amount in the NISS for the relevant maintenance period. Through NISS each banking institution shall have access to required an actual balance on its Reserve Account during each day.

#### **6. Balances on the Reserve Account**

The closing balance of the Reserve Account as reflected in NISS at the end of each day shall be the actual and certified balance for each banking institution. A banking institution is, therefore, not required to submit a return of its daily balances on the Reserve Account (previously Form MRR 2) to the Bank as from 15 August 2005.

#### **7. Withdrawal from the Reserve Account**

A banking institution is allowed on any fund settlement value date to draw down its balance on the Reserve Account by a maximum of 25 (twenty five) percent of its required minimum balance of the Reserve Account of that banking institution for settlement purposes. Should a banking institution withdraw the allowable amount from its Reserve Account, that amount may only be transferred to that banking institution's settlement account held at the Bank of Namibia. The NISS is set up in such a way that a banking institution cannot exceed the maximum allowable limit.

#### **8. Restoring the balance on the Reserve Account**

Any allowable withdrawal by a banking institution from its Reserve Account during a particular fund settlement value date shall be reversed and transferred back to that institution's Reserve Account at the end of the fund settlement value date during which the funds have been withdrawn. The reversal of the amounts withdrawn from the Reserve Account shall be automatically effected by crediting the Reserve Account and debiting the Settlement Account in NISS.

This means that a banking institution may only use a maximum of 25 per cent of its balance on the Reserve Account to meet part of its intra-day settlement obligations. The end-of-day balance on the Reserve Account shall therefore not be allowed to be less than the required amount to be maintained by the banking institution at any point in time with the Bank of Namibia.

#### **9. Failure to reverse withdrawals from the Reserve Account**

Should a banking institution have insufficient funds on its settlement account to reverse the withdrawal from the Reserve Account, that banking institution shall have to source the shortfall from elsewhere or by drawing funds from the over-night repurchase facility at the Bank of Namibia or from any other facility that the Bank may offer.

The terms and conditions for the Bank of Namibia's repurchase facility are set out in the Bank's circular CF1/2004 issued on 12 February 2004.

#### **10. Non compliance with the required amount on the Reserve Account**

If a banking institution fails to keep the required minimum balance on its Reserve Account, the following actions shall be taken:

- 10.1 The Bank shall notify a banking institution about its failure or inability to comply with the requirement of maintaining the prescribed minimum balance on its Reserve Account.
- 10.2 Within five working days of being notified by the Bank a banking institution that had failed, was unable or unwilling to comply with the requirement of maintaining the prescribed minimum balance on its Reserve Account shall submit a written report of its non compliance or inability to comply with the directive and the reasons therefore to the Governor (Section 35(3) of the Act).
- 10.3 The Bank has the right to condone the failure or inability and afford that banking institution an opportunity, subject to such conditions as the Bank may determine, to comply with the relevant provision within a specified period (Section 35(6) of the Act).
- 10.4 Should the Bank choose not to condone the failure, the Bank may take any or all of the following actions:
  - (a) require the failing banking institution not to extend new loans or credit to its customers during the period of such failure or inability (Section 35(4) of the Act);
  - (b) bring a charge against a person in the failing banking institution, who shall be liable on conviction to a fine of N\$ 10 000-00, or to imprisonment for a period not exceeding six months (Section 35(5) of the Act); and / or
  - (c) impose a fine in terms of Section 35(7) of the Act by way of a written notice upon the failing banking institution of half a per cent of the amount of the shortfall for each day on which such failure or inability continues.
- 10.5 the Governor shall respond to the failing banking institution regarding the action(s) taken by the Bank against the failing banking institution and/or the person responsible for the failure.
- 10.6 The fine imposed in terms of Section 35(7) of the Act will be directly charged to the settlement account of the failing banking institution and no further correspondence will be held in this regard.

#### **11. Effective date**

This Directive shall become effective on 1 July 2005 with regard to the reporting on the attached Form MRR1 and on 15 August 2005 with regard to maintaining reserve balances in accordance with this Directive.

<b>Banking Institution:</b>	
<b>Year:</b>	
<b>Start Date:</b>	
<b>End Date:</b>	

**MINIMUM RESERVE  
REQUIREMENTS**

**MRR 1**

**AVERAGE DAILY AMOUNT OF TOTAL LIABILITIES TO THE PUBLIC**  
(Confidential and not available for inspection by the public)

<b>Day</b>	<b>Total deposits including foreign deposits</b>	<b>Total loans and advances received</b>	<b>Total other liabilities to the public, excluding capital</b>	<b>Total liabilities to the public</b>
	(1)	(2)	(3)	(4) = (1) + (2) + (3)
1st				
2nd				
3rd				
4th				
5th				
6th				
7th				
8th				
9th				
10th				
11th				
12th				
13th				
14th				
15th				
16th				
17th				
18th				
19th				
20th				
21st				
22nd				
23rd				
24th				
25th				
26th				
27th				
28th				
29th				
30th				
31st				
<b>Average Daily Amount of Total Liabilities to the Public</b>				
<b>Required Minimum Balance (B)</b>				