BANK OF NAMIBIA

MACROPRUDENTIAL OVERSIGHT AND FINANCIAL STABILITY FRAMEWORK

Contents

List of Abbreviations

CCB	-	Capital Conservation Buffer
CEO	-	Chief Executive Officer
DSIBs	-	Domestic Systemically Important Banks
FSR	-	Financial Stability Report
FSSC	-	Financial System Stability Committee
LTV	-	Loan-to-Value
MOC	-	Macroprudential Oversight Committee
MOF	-	Ministry of Finance
NAMFISA	-	Namibia Financial Institutions Supervisory Authority
RSIBs	-	Regional Systemically Important Banks

Definition of Key Concepts

Systemic risk	-	The risk inherent to the entire market or an entire market segment that causes a major shock to the market or leads to the collapse of the entire market. Systemic risk is also called market risk.
Financial system	-	Is defined as a system, encompassing financial institutions, that facilitates exchange of funds between lenders and borrowers.
Macroprudential policy	-	According to the IMF, macroprudential policy refers to the use of prudential tools to limit systemic or system-wide financial risk, thereby minimising the incidence of disruptions in the provision of key financial services that can have serious consequences for the real economy.
Microprudential policy	-	According to the Basel Core Principles for Effective Banking Supervision (Basel Committee for Banking Supervision, 2011), microprudential policy entails the promotion of safety and soundness of specific financial institutions or industries within the financial system such as banks, pension funds or insurance companies.
Asset price bubbles	-	An asset price bubble occurs when the price of an asset, such as housing, stocks, or gold, become over-inflated.
Crisis	-	For the purpose of this framework, a crisis is defined as a risk of a disruption to the financial services resulting from an impairment of all or some parts of the financial system with potential serious consequence to the real economy.

Foreword

The purpose of this document is to outline a framework for macroprudential oversight and coordination of activities in safeguarding the financial system in Namibia. The framework details how the Bank of Namibia (Bank) will coordinate the financial stability mandate after consultation with the Namibia Financial Institutions Supervisory Authority (NAMFISA) and the Ministry of Finance (MOF) on macro-prudential matters. It further documents how decisions will be taken and defines the structures and processes on macroprudential policy in Namibia.

A strong institutional framework is critical for effective macroprudential supervision in order to assess potential sources of key systemic risks and take timely and effective policy decisions to mitigate against such risks. In doing so, it is also critical that one institution is assigned a mandate to oversee macroprudential policy and ensure interagency coordination between the relevant institutions. In this regard, the Bank of Namibia Act 1/2020 (hereinafter “the Act”) provides the responsibility of macroprudential oversight and the coordination of activities to safeguard financial stability to the Bank of Namibia (hereinafter “the Bank”). The Macroprudential Oversight Committee (MOC), an internal committee at the Bank, was established to support the Governor in implementing the macroprudential mandate and exercise macroprudential decision making powers entrusted to the Bank. In terms of Section 79 (2) of the Bank of Namibia Act (Act No 1 of 2020), the Board, in writing and on such conditions as the Board may determine, delegate a power or assign a function conferred or imposed on the Board by or under this Act to a committee of the Board or to the Governor, a Deputy Governor or a staff member. In this framework, the Governor, a Deputy Governor or staff member play a crucial role in macroprudential decision making and recommendations. In line with Section 79 (2), the Board of the Bank of Namibia has delegated the macroprudential decision-making power to the Governor who will be supported by the MOC. The MOC is chaired by the Governor (Chairperson) and consists of the Deputy Governors (the

Deputy Governor responsible for financial stability matters will be the Deputy Chairperson), the advisors to the Governor, as well as selected members of the senior management of the Bank of Namibia. The committee is advised by the Financial System Stability Committee (FSSC), which was formed as an advisory body to the Bank on actions to mitigate or remedy risks to the financial sector.

The key aspects contained in this macroprudential oversight policy framework are: (1) the definition of financial system stability; (2) the legal and institutional framework; (3 & 4) the modalities of the MOC and FSSC; (5) consultation with NAMFISA (6) policy tools and implementation; (7) crisis management; (8) resolution of cross border financial institutions; (9) governance; and (10) macroprudential regulation communication, which are the processes that underpins policy formulation.

1. Financial system stability and macroprudential regulation

Financial stability is defined as the resilience of the domestic financial system to internal and external shocks, be it economic, financial, political or otherwise. The 2008 financial crisis started a debate about whether central banks should be given a stronger role in the regulation and supervision of the financial system and the associated systemic risk. As a result, the role of central banks was expanded to include the responsibility to protect customers against asset price bubbles. Financial stability not only reflects a sound financial system, it also reinforces trust in the system and prevents behavioral phenomena which can destabilize an economy (Nier, 2009). Therefore, the mandate of some central banks was expanded to include overseeing systemically important non-bank financial institutions alongside banks as well as the risks emanating from interconnectedness within the financial system.

Macroprudential regulation refers to the holistic approach to regulating the financial system using macroprudential policy tools. The IMF defines macroprudential policy as the use of primary prudential tools to limit systemic risk (Crockett 2000). Financial instability can cause the trust in the financial system to deteriorate. Thus, trust in the financial system is important for a smooth flow of transactions for local and foreign investment into the economy which are critical to achieve sustainable economic growth and development in Namibia. This document thus serves to clarify how macroprudential regulation is conducted and coordinated in Namibia.

2. Objectives of Macroprudential Policy[1]

The overall objective of macroprudential policy in Namibia is to promote and safeguard financial stability through the early identification and mitigation of systemic risks. More specifically, macroprudential policy has two broad aims that are complementary: 1) strengthening the resilience of the financial system to economic downturns and other adverse aggregate shocks; and 2) Limiting the accumulation of financial risks and the likelihood or the extent of a financial crisis. For macroprudential policy to be successful it, therefore, should have intermediate policy objectives, namely:

- Reducing excessive growth in credit, asset prices, particularly real estate and leverage. Unhealthy credit growth, which ultimately presents as higher rates of default, particularly by highly leveraged borrowers, has been identified as a key driver of financial crises in many economies. The Bank will use its discretion to decide what it considers to be excessive growth. In the case of credit, a sustained level above trend would be a starting point. With regard to asset prices, different valuation metrics are used to assess whether growth rates are significantly above their historic average.

- Mitigating and preventing excessive maturity mismatch and market illiquidity. Reliance on short-term and unstable funding may lead to fire sales, market illiquidity, and contagion.

- Reducing direct and indirect concentrations of exposures to the same markets, products and institutions. Exposure concentrations make a financial system vulnerable to common shocks, either directly through balance sheet effects or indirectly through asset fire sales and contagion.

- Regulating and supervising systemically important financial institutions (SIFIs) effectively and efficiently. This will be facilitated by closely monitoring the SIFIs, their operations, and their activities.

[1] The focus of this macroprudential policy framework is on the prevention of systemic risk propagation, while the framework crisis management is documented elsewhere.

Sound macroprudential policy increases the resilience of the financial system to adverse aggregate systemic shocks by establishing buffers to help cushion their impact and sustain the provision of financial services and credit to the economy. It focuses on the interactions between financial institutions, infrastructure, markets and the real economy. On the other hand, microprudential policy assesses the risks and stability at the level of individual institution, irrespective of the state of the financial system and the economy.

3. Legal and institutional framework

The Namibian financial system is regulated on a sectoral basis by two authorities. The Bank of Namibia is responsible for regulating the banking sector under the Bank of Namibia Act, 2020 (Act No. 1 of 2020), and any other law that confers powers to the Bank. NAMFISA is responsible for regulating the non-banking financial institutions under the NAMFISA (Act, No 3 of 2001), as amended as well as any other law that confers powers to NAMFISA. In 2020, the Bank of Namibia Act, 1997, as amended was repealed and replaced by the Bank of Namibia Act, 2020 (Act No. 1 of 2020). The new Act expanded the Bank of Namibia's mandate to include amongst others, macroprudential policy oversight which is aimed at overseeing the financial system as a whole and coordinating activities to safeguard financial stability. In this regard, the Bank of Namibia established the Macroprudential Oversight Committee (MOC) to assist the Governor in executing macroprudential decision making powers assigned to the Bank. Chapter 6 (Section 32) of the Bank of Namibia Act, 2020 (Act No. 1 of 2020), further gives the Bank of Namibia the power to establish the Financial System Stability Committee (FSSC) as an advisory body to the Bank. The role of the FSSC is to assist in monitoring the financial system concerning risks, weaknesses, disruptions or developments that may harm or threaten financial stability in Namibia and to advise and make recommendations when and where necessary.

Although the FSSC serves as an advisor to the Bank of Namibia on matters of financial stability, the primary mandate of managing systemic risks is with the Bank of Namibia. The FSSC was formed on the back of the Bank of Namibia Act, 2020 (Act No. 1 of 2020). Financial stability, macroprudential regulation and monetary policy coordination is important and is catered for through cross-membership in the Financial Systems Stability Committee, Macroprudential Oversight Committee and the Monetary Policy Committee (MPC). The Governor, Deputy Governors and some of the Bank of Namibia officials' cross membership between the committees ensures that the interaction between monetary policy, financial stability policy and macro-prudential policy is duly considered in the decisions taken that relates to Financial stability.

4. Macroprudential oversight committee (MOC)

4.1. Establishment and Mandate of the Macroprudential Oversight Committee (MOC)

The Act provides the Bank of Namibia with the responsibility of macro-prudential oversight over the financial system and coordinating the activities involved in the safeguarding of financial stability in order to maintain and enhance a stable financial system in Namibia. In this regard, the macroprudential decision making powers are delegated by the board to the Governor in line with Section 79 (2) of the Bank of Namibia Act (Act No 1 of 2020). In executing this role, the Governor will be supported by the Macroprudential Oversight Committee (MOC) established in the Bank of Namibia. Specifically, the MOC supports the Governor in carrying out the following functions:

- Issue directives after consultation with NAMFISA, regarding macroprudential matters on behalf of the Bank;
- Co-ordinate activities involved in safeguarding of financial stability and ensure compliance with the directives;
- Carry out periodic assessments of the financial system in order to identify and manage systemic risk to financial stability;
- Managing the event of a system-wide financial crisis jointly with the Minister of Finance and NAMFISA with the aim of stabilising and restoring confidence in the financial system;

- Provides for regular briefing by the Bank of Namibia to the Minister of Finance, Cabinet or the relevant standing committee of the National Assembly regarding the status of financial system stability in Namibia, particularly in the event of crisis resolution, and to recommend the action to be taken.

The Financial System Stability Committee (FSSC) was established to monitor risks affecting the financial system as well as to provide advice and recommendations to the Bank of Namibia in

accordance with Chapter 6 (32) of the Bank of Namibia Act, 2020 (Act No. 1 of 2020). The key responsibilities are discussed in section 5 of this document.

The Bank of Namibia may request any ad hoc information, or commission periodic reports from any office, ministry or agency of the Government, a regulatory authority, a supervisory authority or any institution which is overseeing banking institutions, financial institutions, payment system participants which the Bank of Namibia considers necessary to give effect to financial stability.

4.2. Composition of the MOC

The Macroprudential Oversight Committee shall consist of:

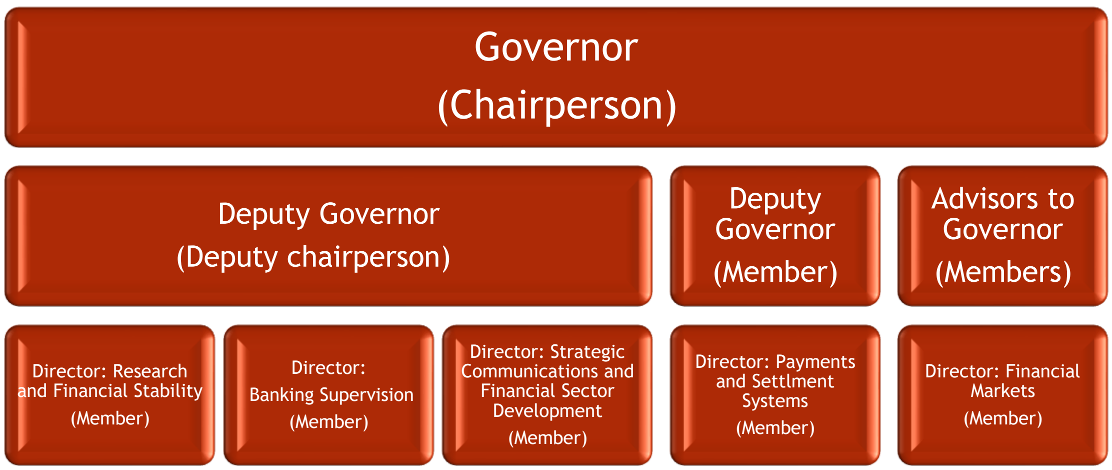
(a) The Governor, who shall be the Chairperson;

(b) The Deputy Governors (the Deputy Governor responsible for Financial Stability is the Deputy Chair),

(c) the Advisors to the Governor,

(d) the Directors of Research and Financial Stability, Payments and Settlement Systems, Banking Supervision, Financial Markets as well as Strategic Communications and Financial Sector Development (Figure 1).

Figure 1: Composition of the MOC



4.3. Secretariat

The MOC is supported by a secretariat. Meetings are organized by a secretariat which is selected from staff in the Research and Financial Stability Department of the Bank of Namibia. The duties of the secretariat include taking minutes during the meetings as well as writing, presenting and coordinating any necessary documents.

4.4. Frequency of meetings

The MOC meets at least twice a year. The MOC may meet at any time during the year as the need arises, however they must meet at least twice a year. At the bi-annual meetings, the MOC will be kept abreast of the key changes to systemic risk during the period and the overall state of the financial system. Additionally, recommendations from the FSSC may be discussed and approved at this platform.

4.5. Decision making and quorum

Macroprudential decision making powers in Namibia are vested in the Governor of the Bank of Namibia and the MOC will provide him or her with the necessary support. This means that while the MOC decision-making is by consensus, the final decision lies with the Governor. The

macroprudential decision making powers delegated to the Governor are outlined in section 4.1 of this framework. The quorum of the meeting will be 50 percent plus 1.

4.6. Assessment of risks and vulnerabilities in the financial system

During the periodic meetings, the MOC is kept abreast of the key developments in the financial system during the period. The members are informed and advised by the FSSC through periodic reports and assessments on systemic risks to the financial sector since the last meeting. The assessments from the FSSC to the MOC are particularly in the areas of developments in the Banking and Non-Banking Financial Sector, that have a bearing on financial stability. Members use this information to ascertain if there are any changes in systemic risk since the last meeting that warrants taking macroprudential policy decisions or corrective measures. These assessments may come from topical issues identified by the Bank of Namibia, NAMFISA or MoF that are pertinent for effective macro prudential policy formulation and in achieving the goals of the MOC.

5. Financial System Stability Committee (FSSC)

5.1. Establishment and mandate of the FSSC

The Financial System Stability Committee (FSSC) was established to assist the Bank in monitoring risks affecting the financial system as well as to provide advice and make recommendations to the Bank of Namibia. The financial system stability committee was established in accordance with Chapter 6 (Section 32) of the Act and is responsible for; (a) assisting the Bank in monitoring the financial system against risks, weaknesses, disruptions or developments that may harm or threaten financial stability of Namibia; (b) advising the Bank of

Namibia on any necessary action to be taken in order to mitigate or remedy the risks, weaknesses or disruptions to financial stability, (c) making recommendations to the Bank on which financial institutions must be considered as systemically important financial institutions for purposes of financial stability; (d) drafting the annual financial stability report in order to assist the Bank of Namibia in assessing the stability of the financial system and (e) promoting the coordination of information exchange and sharing among members of the committee and the Bank.

The FSSC further acts as a platform where matters related to financial stability between MOF, NAMFISA and the Bank can be liaised and discussed. In executing its responsibilities, the FSSC is guided by three main principles: accountability, transparency and timely exchange of accurate and quality information.

5.2. Composition of the FSSC

The FSSC consists of members from the Bank of Namibia and NAMFISA, as well as, a representative from MOF. The Bank is represented by the Governor as Chairperson, the Deputy Governors plus two staff members nominated by the Governor[2], while NAMFISA is represented by its CEO as Deputy Chairperson as well as three staff members, nominated by the CEO of whom, at least one staff member must be a senior staff member. A representative of the Ministry of Finance is nominated by the Minister, although that person will only serve as an observer with no voting rights. This is because the Ministry of Finance is responsible for managing central government finances which may be used to promote financial stability and trigger potential conflict of interest for the MoF member. In addition to the above appointed members, the following officials or their representatives from the Bank of Namibia will be in attendance at the FSSC meetings: the Technical Advisor to the Governor, Technical Expert in the Research and Financial Stability Department, Directors of Payments and Settlement Systems, Strategic Communications and Financial Sector Development and Financial Markets, as well as the Deputy Director Macro Models and Financial Stability. Furthermore, the following officials or their representatives from NAMFISA will be in attendance at the FSSC meetings: General Managers: Insurance & Medical Aid Funds, Pension Funds & Friendly Societies, Capital Markets and Corporate Communications, as well as the Manager: Financial Stability.

2 Officials serving in the FSSC and MOC are closely aligned to ensure that they are adequately involved in deliberations on financial stability and macroprudential policy matters so that they can provide effective advice to the Bank.

5.3. FSSC Technical Committee (TC)

To support the effective and efficient operations of the FSSC, a technical committee (TC) composed of representatives from relevant departments at the Bank of Namibia, NAMFISA and MOF was established. The technical committee shall carry out the preparatory work for the FSSC meetings. From the Bank of Namibia, members of the technical committee shall comprise of the Director of Research and Financial Stability who will be Chairperson, as well as the Deputy Director Macro Models and Financial Stability who will be the Deputy Chairperson, Technical Advisor to the Governor and the Technical Expert to the Research and Financial Stability Department. Moreover, Deputy Directors of relevant divisions in the following departments at the Bank of Namibia will also be members of the TC meetings: Banking Supervision, Payments and Settlement Systems, Financial Markets as well as Strategic Communications and Financial Sector Development. The TC members from NAMFISA shall be: Managers from the following departments: Insurance, Pension Funds and Friendly Societies, Capital Markets, as well as the Managers: Financial Stability and Corporate Communications, respectively. From MOF, the TC member shall be a person reporting to the Ministers' appointee on the FSSC who is at the level of a Deputy Director.

5.4. Frequency of meetings and Secretariat

As an advisory committee, the FSSC must meet as often as the business of the committee requires but at least once in every three months during each financial year. The secretariat will be selected staff members from the Research and Financial Stability Department of the Bank.

5.5. Decision making and quorum

A decision made by the simple majority of the members of the FSSC present and entitled to vote at a meeting of the committee constitutes a decision of the committee, but in the event of an equality of votes the person presiding at such a meeting has a casting vote in addition to his or her deliberative vote. A simple majority of all members of the financial system stability committee present at a meeting of the committee forms a quorum at the meeting, but the Governor or a Deputy Governor; and at least one representative from NAMFISA, must be present at each meeting of the committee.

6. Consultations with NAMFISA

NAMFISA remains the regulator of non-banking financial institutions as per the NAMFISA Act (Act, No 3 of 2001). Therefore, should the Bank of Namibia issue a directive that affects the non-banking financial institutions, the Bank must consult with NAMFISA prior to issuing the directives and regulations to ensure they are implemented effectively.

The Bank of Namibia strives to manage the expanded mandate, by collaborating with NAMFISA through existing regulatory and supervisory channels. The Bank and NAMFISA have existing supervisory channels regulating banking and non-banking financial institutions, respectively. In this regard, the two institutions meet at a senior level to share relevant information on issues of common interest, particularly overseeing the activities of institutions within the jurisdiction of both regulators. The Bank coordinates and oversees macroprudential activities in Namibia through the continuous communication and interaction and through the FSSC.

7. Policy tools and implementation

7.1. POLICY TOOLS

There are several macroprudential tools available to use in Namibia. Macroprudential tools[3] can be used to mitigate systemic risk by setting thresholds for the ratio of assets, capital and liquidity held by the industry. Although the Bank of Namibia has the right to implement macroprudential tools to mitigate overall systemic risk, it is important that the financial system is not overregulated which may have a negative impact on the profitability of financial institutions, financial innovation and economic growth in the long term. However, the financial system should be monitored closely and all macroprudential tools should be implemented at the lowest possible cost.

When selecting an appropriate macroprudential policy instrument, an important consideration will be the effectiveness of the instrument in meeting the policy objectives given the risks facing the financial system at that time. The objectives of macro-prudential policy are increasing the resilience of the domestic financial system and countering instability in the domestic financial system arising from credit, asset price or liquidity shocks. It is possible that the weight given to each of these objectives may vary across time. In some cases, the optimum response might entail using more than one policy tool.

7.2. IMPLEMENTATION AND COMPLIANCE

Macroprudential instruments will be operationalised through regulations and directives issued by the Bank. After the Bank of Namibia has made a decision at the MOC, the Governor

[3] For more information regarding the macroprudential tools in Namibia refer to the *Bank of Namibia Macroprudential Toolkit* paper for Namibia, 2020

or the Deputy Governor or a staff member delegated by the Governor shall communicate in writing, to the affected financial institution(s) after consultations with NAMFISA on the issued directives. The implementation of Macroprudential tools will be the responsibility of the MOC and shall be coordinated by the Financial Stability Unit with the support of the relevant departments.

Decisions made by the Governor at the MOC meetings on macroprudential regulation are considered final for the entire financial system as per the powers vested through Chapter 6 of the Bank of Namibia Act, 2020 (Act No. 1 of 2020). The timeframe for implementing the regulations and directives will consider the need for the affected financial institutions to adjust their procedures, policies and processes as well as to train their staff. It should be noted that the Governor will have the discretion to determine the notice period for the implementation of regulations and directives based on the prevailing situation.

The Bank must collaborate with NAMFISA to ensure compliance with macroprudential regulations through the existing supervision channels. The Bank of Namibia must consult with NAMFISA in writing to ensure the effective implementation of any directives issued by the Bank of Namibia. The Bank of Namibia, MOC or the FSSC may request special periodic reports from the Bank's and NAMFISA's respective supervision departments to monitor compliance by the affected financial institutions. The agencies share information and analyses of the relevant developments and coordinate policy actions through regular consultations. The collective aim is to align the objectives of each authority under the overarching goal of promoting a stable and sustainable financial market.

The Bank of Namibia's approach to macroprudential policy is proactive in identifying and mitigating systemic risks. The Bank aims to pre-empt all risks and their associated systemic effects. Given the high costs of financial crises and the protracted nature of post-crisis recoveries, it is preferable to take preventive measures to reduce the probability and potential impact of a crisis than to take corrective measures only after a crisis has occurred. The forward-looking approach will use early warning indicators to identify sources of systemic risk with a particular focus on macro-financial linkages through which risks are transmitted and amplified. These interdependencies include: cross-institutions relationships between banks and non-bank financial institutions, which characterises the financial sector Namibia. Another area that will be monitored closely is the cross-border linkages between financial institutions in Namibia and those in South

Africa given the dominance of the Namibian financial sector by large and heterogenous financial conglomerates, all with close ownership and funding links to South Africa. The cross-sector linkages between the balance sheets of the financial sector and those of households and corporates will equally be analysed because high and unsustainable household and corporate debt levels can be a source of financial vulnerability as evidenced by the experience from the 2009 global financial crisis.

The Bank's macroprudential policy stance is targeted. The Bank's macroprudential policies are targeted at specific systemic risks. Generally, financial vulnerabilities are not spread evenly across the financial sector and tend to be concentrated in certain sectors. Targeted policy interventions aim to address the sources of vulnerabilities, while minimising unintended spill-over effects to other areas that may not yet be at risk. The policy calibration can also be varied according to the degree of risk posed by different sectors or market segments.

8. Crisis Management Framework

In the event of a crisis, the Bank of Namibia is expected to effectively deal with the situation in a conscientious manner, to restore order and public confidence in the financial system. While macro-prudential tools can help in the event of a crisis, management of a crisis goes beyond the use of prudential tools. The process of crisis resolution generally entails the analysis aimed at crafting a cost-effective alternative resolution and the communication of the decision. There are guidelines developed for cooperation in the field of financial stability which established a framework for cooperation between MOF, the Bank and NAMFISA. The Guidelines explain how the Authorities will work together both during crisis and normal times towards the common objective of financial stability in Namibia. Most importantly, the communication of a crisis and the resolution should be in accordance with the approved communication plan[4].

9. Governance

The macroprudential oversight and financial stability framework shall be implemented in accordance with the principles of good corporate governance that ensures protection of public interests. In line with NamCode[5], the Bank aims to enhance corporate performance through ethics, professionalism, transparency, responsibility and accountability. This includes highest standards of corporate governance such as well-defined processes in accordance with generally accepted corporate practices and in keeping with the respective regulators' mandates of ensuring financial stability and a well-regulated functional financial system.

The MOC and FSSC should be compliant with the codes of ethics and conduct of the regulatory institutions. The principles which should guide the MOC and FSSC in performing their functions and responsibilities entails: declaration of interest, immunity from personal liabilities, compliance, independence and confidentiality as explained in detail in Annexure 1 and 2 of this framework.

10. Macroprudential Policy Communication

Industry wide directives will be communicated by a public media statement by the Governor or the Deputy Governor or a staff member on behalf of the Bank. The Bank is bound by the Bank of Namibia Act, 2020 (Act No. 1 of 2020) Chapter 9 (77) which details how the Bank of Namibia should manage confidentiality, while carrying out its duties. The Governor or the Deputy Governor or a staff member delegated by the Governor will issue public media statements on directives issued by the Bank to the industry. Directives that are company specific and deemed to be confidential, will be issued to the board of the relevant financial institutions directly. If these

[4] A detailed framework for the resolution of failing financial institutions that may potentially threaten the stability of the Namibian financial system and the communication thereof is thus contained in the 'Communication Plan'; which is an annexure to the 'Guidelines for Cooperation in the Field of Financial Stability'.

[5] The NamCode is based on King III and provides guidance to all Namibian corporate entities on various governance related aspects.

directives cause steep movements or changes in trends in key systemic risk indicators, these changes will be communicated through the annual Financial Stability Report.

The state of the financial system is communicated to the public by means of an Annual Financial Stability Report (FSR), which is jointly issued by the Bank of Namibia and NAMFISA. In this regard, a joint media release is issued and the FSR is published on both the Bank of Namibia and NAMFISA websites. Financial stability is one of the backbones of an economy, therefore, it is imperative that trends and developments in this space are communicated efficiently and effectively. Financial stability is partially managed by managing the sentiments in the markets which trigger behavioral phenomena that can destabilize the economy. As such, it is important to continuously educate the public on financial stability matters and what is being done to mitigate the risk in the economy in order to enhance confidence and trust in the economy. Efficient and effective communication includes the timely, accurate and relevant dissemination of information and data to the public. In Namibia, this communication is done annually through the publication of the FSR, which is coordinated and approved by the FSSC.

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Annex 1: MOC Code of Good Conduct

1. Fundamental principles

Macroprudential Oversight Committee (MOC) members shall act with loyalty to the Bank, be honest, objective, and impartial and subscribe to the highest standards of professional ethics, diligence, good faith and integrity. They shall avoid any action, or inaction, which could in any way impair the Bank's capacity to carry out its duties or compromise its standing in the community and its reputation for integrity, fairness, honesty and independence.

2. Conflict of interest

a) In the performance of their duties, MOC members shall avoid any situation that may give rise to a conflict of interest. No conflict of interest real or otherwise may exist between a member's official responsibilities and any kind of personal or external interests which could jeopardise his or her impartiality, judgment and integrity in performing his or her responsibilities.

b) MOC members may not undertake remunerated activities outside the Bank, without the consent of the Chairman of the MOC and in accordance with the general rules and procedures of the Bank on extra-mural activities. Remunerated activities that have a bearing on macroprudential policy and financial stability matters must be avoided at all times.

3. Declaration of interests

(1) MOC members shall upon appointment make a full written disclosure of the

nature of their direct or indirect interests which may give rise to conflict of interest to the Chairperson.

(2) The matters to be covered by the member's statement shall include but not be limited to the disclosure of:

(a) any financial or business interest of the member and that of his or her immediate family members; and/or

(b) investments in companies, partnerships or joint ventures.

An update of such a statement on an annual basis or whenever there is a change in interest shall be provided to the Chairman of the MOC.

4. Immunity from personal liability

The MOC Members shall not be personally liable in performing a function or exercising a power under this committee for any loss or damage caused in respect of an act or omission done in good faith in the exercise of the power or the performance of the functions under this committee, unless it is established that the act or omission was committed in a grossly negligent manner or mala fide.

5. Compliance

a) Compliance with this Code of Conduct will be monitored by the Chairman of the MOC. Any violation of the provisions of the Code must be dealt with in accordance with the disciplinary policy of the Bank.

b) For the duration of any investigation into any allegation of a contravention of this Code, the Chairman of the MOC reserves the right to suspend the member concerned from the MOC and the Bank in accordance with the Bank's policies.

6. Independence

a) MOC members shall be independent from any political or any other influence in the performance of their duties. Members are therefore expected to declare their

b) interest to the Chairperson/Deputy Chairperson of the MOC.

c) The MOC members shall not act as delegates or representatives of any interest groups, individuals or industry in the discharge of their duties.

I _____________________________hereby acknowledge that I have read and understood the contents of this Code of Conduct and commit to abide by it in executing my duties and responsibilities as a member of the MOC.

Annex 2: FSSC Code of Good Conduct

1. Fundamental principles

The Financial System Stability Committee (FSSC) was established to monitor risks affecting the financial system as well as to provide advice and recommendations to The Bank, in accordance with Chapter 6 (Section 32) of the Bank of Namibia Act, 2020 (Act No. 1 of 2020). This annex outlines the Code of Conduct for the FSSC of the Bank of Namibia with respect to financial stability matters.

2. Conflict of interest

a) In the performance of their duties, FSSC members shall avoid any situation that may give rise to a conflict of interest. No conflict of interest, real or otherwise may exist between a member's official responsibilities and any kind of personal or external interests which could jeopardise his or her impartiality, judgment and integrity in performing his or her responsibilities.

b) FSSC members must obtain permission from the Chairperson in the case of members nominated by the Bank of Namibia or Deputy Chairperson in the case of members nominated by NAMFISA in order to partake in extramural remunerated work that may be in conflict with their responsibilities as members of the FSSC. In the case of a member nominated by the Minister of Finance, such permission shall be obtained from the Minister. The consent so granted shall be shared amongst the principals (i.e. The Minister, the Governor of the Bank of Namibia and CEO of NAMFISA).

3. Declaration of interests

1) FSSC members shall upon appointment make a full written disclosure to the Chair and Deputy Chair of the nature of their direct or indirect interests which may give rise to conflict of interest as a member of the FSSC.

The matters to be covered by the member's statement shall include but not be limited to the disclosure of:

a) any financial or business interest of the member and that of his or her immediate family members; and/or

b) investments in companies, partnerships or joint ventures.

4. Immunity from personal liability

The FSSC Members shall not be personally liable in performing a function or exercising a power under this committee for any loss or damage caused in respect of an act or omission done in good faith in the exercise of the power or the performance of the functions under this committee, unless it is established that the act or omission was committed in a grossly negligent manner or mala fide.

5. Compliance

a) Compliance with this Code of Conduct will be monitored by the Chairman of the FSSC. Any violation of the provisions of the Code must be dealt with in accordance with the disciplinary policies of the Bank, NAMFISA and Ministry of Finance where applicable.

b) For the duration of any investigation into any allegation of a contravention of this Code, the Chairman of the FSSC reserves the right to suspend the member concerned from the FSSC. Any investigation into a suspected or possible contravention of this Code shall be kept confidential.

6. Independence

a) FSSC members shall be independent from any political or any other influence in the performance of their duties. Members are therefore expected to declare their interest to the Chairperson/Deputy Chairperson of the FSSC.

b) The FSSC members shall not act as delegates or representatives of any interest groups, individuals or industry in the discharge of their duties.

I ______________________________hereby acknowledge that I have read and understood the contents of this Code of Conduct and commit to abide by it in executing my duties and responsibilities as a member of the FSSC.