

**Opening remarks by the Assistant Governor at the launch of the
WIBAR**

Windhoek, 11 May 2011

Director of Ceremonies,

Hon Deputy Minister of Finance, Mr Calle Schlettwein,

**The President of Bankers Association of Namibia, Mr. Erastus
Hoveka,**

Members of the banking industry

Members of the Media

Distinguished Invited Guests, Ladies and Gentlemen

Good Afternoon

1. It is my great pleasure to be here this afternoon to witness the launch of the Namibian Interbank Reference Rates to be popularly known as the WIBAR. This initiative is part of the objective of developing a deeper and broader financial market in Namibia. Financial market development is a key strategic objective of the Bank of Namibia. To this end, the Bank in 2009 embarked upon various initiative of developing a robust interbank market for commercial banks. These initiatives include amongst others the envisaged establishment of the secondary repo market, increasing of interbank exposure limits, and earlier settlement operations of Namibia Interbank Settlement System.

2. The Bank of Namibia shared these recommendations with the Bankers Association. We are happy to announce that the banking industry is on course to deliver on these strategic goals towards the development of a vibrant interbank market in particular and financial markets in general. In this regard, my special word of appreciation goes to the Treasury Sub-Committee of the Bankers Association for providing coordinated technical output and keeping the momentum.
3. As can be witnessed today, much has been achieved since the launch of this project. Interbank trading has increased significantly since 2009 when monthly average was barely around N\$2 billion to a current record high of N\$4.8 billion in 2011. The key contributing factor to the notable improved volume traded is mainly the increase in interbank exposures.
4. In Namibia, banks in deficit have several options through which they can fund their positions. They could either approach the central bank through the overnight repo facility or the 7-day repo facility. Alternatively, they could borrow from other banks in the interbank market; or they could borrow from South Africa at no foreign exchange risk given the parity of our currencies. Accessing the local interbank market is the most desirable option, as it allows better management of market liquidity and consequently the development of the domestic financial markets.
5. However, what has been lacking is a transparent and predictable reference pricing for short term funding, after having developed prime rate as transparent benchmark for long term funding. In 2010, the Bankers Association has agreed to have the prime rate as a fixed spread of 350 basis points above the Repo rate. This initiative that we are launching today will enable interbank trading because it will provide a transparent reference rate for banks to trade with each other. **Furthermore it will also determine the cost of funding and thus serve as a local money market benchmark rate for banks, borrowers, and investors.**

6. **Ladies and Gentlemen**, one of the occupational hazards of our job as central bankers is to be invited to cocktail parties and introduced as international economists. However, when in attendance we always face the most inevitable question -what is the value of the Namibia Dollar to major currencies tomorrow? Had we knew, I am sure our work would have been simpler. But unfortunately, exchange rate forecasting is less predictable than weather forecast. I am glad that the same conversation cannot be extended to WIBAR as it is expected to be less volatile and moving in line with monetary policy stance and of course, money market liquidity conditions.

7. Going forward, for WIBAR to become a recognized and authoritative interest rate benchmark, its success relies on the acceptance and joint efforts of all the stakeholders. In this regard, **the Bank is pleased to learn that the Bankers Association has put in place an appropriate governance structure to take care of these affairs.**

8. **In conclusion, ladies and gentlemen**, let me thank all the stakeholders involved in this initiative for their unwavering resolve in ensuring that the idea of Namibia having its own reference rate came to fruition. The Bank of Namibia is in full endorsement of WIBAR and other market driven initiatives aimed at developing the Namibian financial markets. We are encouraging the market not to stop here but to go on and implement other initiatives intended to develop the financial markets in Namibia. Thank you for your kind attention!

