

# **BANK OF NAMIBIA**

## **BANK OF NAMIBIA ACT**

### **CIRCULAR - BONA 1/98**

**TO : ALL BANKS**

**DATE : 17 JULY 1998**

#### **MINIMUM RESERVE REQUIREMENTS**

##### **INTRODUCTION**

The provision of the Banks Act of 1995 (as amended) which subjected commercial banks in Namibia to reserve requirements has recently been transferred to Section 35 of the new Bank of Namibia Act, No. 15 of 1997. This signals the use of reserve requirements as a monetary policy instrument. The objective of the proposed changes to the modalities of reserve requirements in Namibia is to put this tool of monetary policy on a more effective footing.

As the Bank does not intend to change its monetary policy stance at present, relevant modifications should therefore leave the aggregate effective reserve ratio for the banking industry constant for the time being. However, to achieve the desired effectiveness of reserve requirements, one has to consider the intended impact of reserves and the interacting influences of averaging practices and vault cash on that impact. The proposed relevant changes in this regard concern the introduction of averaging practices on banks' reserve accounts as well as the exclusion of vault cash for fulfilment of required reserves holdings.

The Bank of Namibia reiterates that it sees reserve requirements as a monetary policy tool and as such regards the ratio as variable, so that this ratio can at a later stage be adjusted out of a conscious monetary policy decision.

##### **EFFECTIVE DATE**

June 1, 1998 was the effective date on which Section 35 of the Bank of Namibia Act (Act 15 of 1997), came into operation.

The procedures to be followed in support of the requirements under Section 35, are set out below:

**1. Determination of the Minimum Reserve**

The minimum reserve shall be determined by applying a unified ratio of 1% on the average daily amount of a banking institutions total liabilities to the public on a monthly basis.

The average daily amount of total liabilities to the public, shall be determined as stated in paragraph 7 below:

Example: The minimum reserve requirements for the month of July 1998, shall be 1% of the average daily amount of the total liabilities to the public as computed over the month of June 1998.

**2. Reporting Period and Submission of Returns**

A banking institution shall furnish to the Bank, returns as per the attached forms which shall be addressed to the Senior Manager Bank Supervision, Bank of Namibia as follows:

Form: MRR 1 will be the official return in respect of the average daily amount of total liabilities to the public which shall be lodged with the Bank of Namibia on or before the 14<sup>th</sup> day of the month in respect of the previous calender month. The requirements of this form are a replica of the requirements of the return BID 6 for liquid asset requirements up to line 4 of that return.

Form: MRR 2 will be the official return in respect of the day to day balances held on the reserve account with the Bank of Namibia over the maintenance period from the 15<sup>th</sup> day of the month to the 14<sup>th</sup> day of the following month. The return shall be lodged within seven days of the end of the maintenance period (i.e. 21<sup>st</sup> day of the month).

**3. Period of Maintenance of Required Minimum Reserve**

A banking institution shall maintain the required minimum amount as contemplated in paragraph 1 above, during the period from the fifteenth day

of the month to which a particular return relates, up to and including the fourteenth day of the following month, with the Bank of Namibia.

The maintenance period in respect of the example under 1 above, will be July 15, 1998 to August 14, 1998, which will in turn, be divided into two averaging periods, i.e. the second half of the month (July 15 to July 31) and the first half of the following month (August 1 to August 14).

#### **4. Averaging of Amount Maintained at Bank of Namibia**

A banking institution may draw down its balance on the reserve account to a maximum of 25% (twenty five percent) of its required minimum reserve amount to be maintained at the Bank of Namibia. The balance on the reserve account should therefore not be less than 75% (seventy five percent) of the required amount to be maintained by the banking institution at any point in time with the Bank of Namibia.

In allowing a banking institution access to 25% of its required reserve, it has to maintain on an average over a period of approximately two weeks, 100% (one hundred percent) of its minimum reserve requirements.

Example: Maintenance period (July 15, 1998 to August 14, 1998).

1<sup>st</sup> Averaging period: July 15, 1998 to 31 July 1998  
(second half of the month).

2<sup>nd</sup> Averaging period: August 1, 1998 to August 15, 1998  
(first half of the following month).

#### Note:

In determining the average holdings of the reserve over the averaging periods, the aggregate total reserves of all the days in a given averaging period shall be divided by the number of days within that period. In calculating the average reserves as described, the balance on the reserve account as at the end of the previous working day shall be used for reserves on weekends and Public Holidays.

**5. Statutory Reserve Account at the Bank of Namibia**

Each banking institution shall have a statutory reserve account in the books of the bank of Namibia solely for the purpose of reflecting the balance held on a daily basis by such banking institution with the Bank of Namibia. This statutory reserve account will operate independently from all other accounts such banking institutions may have with the Bank of Namibia.

**6. Non-remuneration of Balances on Statutory Reserve Accounts**

Balances on statutory reserve accounts maintained by banking institutions with the Bank of Namibia will not attract any remuneration.

**7. 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 days in a given month divided by the number of the 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 (incl. foreign liabilities) mean deposits (net of investment in negotiable certificate of deposits and interbank term deposits/loans), loans and advances received and other liabilities to the public and shall exclude capital funds.

**8. Penalties on Failure to Maintain the Required Reserve Amount with the Bank of Namibia**

The reserve account will attract a penalty of one tenth of one percent for each day during which the average amount over the averaging period falls below the required minimum. The penalty will also apply to any amount that will be below the daily floor level of 75% (seventy five percent) of the required reserves.

# BANK OF NAMIBIA

## MINIMUM RESERVE REQUIREMENTS

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

Name of Institution: ..... For the month of .....  
(Calender month)

	Line No.	Amount (NS'000)
Average total deposits (incl. NCD's issued)* .....	1	.....
Average amount of loans and advances received .....	2	.....
Average amount of other liabilities to the public (Excl. Capital).....	3	.....
Average total liabilities to the public (total\$ of line items 1-3).....	4	.....

Principal Officer's  
Signature: .....

Chief Accounting  
Officer's Signature:.....

Date: .....

\* Investments in NCD's and interbank term deposits/loans should be set-off against total deposits.

Note: The requirements of this form are a replica of the requirements under return BID 6 for liquid asset requirements up to line 4 of that return.



# BANK OF NAMIBIA

## MINIMUM RESERVE REQUIREMENTS DAY TO DAY BALANCES ON RESERVE ACCOUNT WITH BANK OF NAMIBIA (Confidential and not available for inspection by the public)

Name of Institution: ..... For the month of .....  
 (Covering the compliance period commencing the 15<sup>th</sup>  
 of the abovementioned month up to the 14<sup>th</sup> of the  
 following month)

Date		Line Ref.	Amount (NS'000)
15	.....		.....
16	.....		.....
17	.....		.....
18	.....		.....
19	.....		.....
20	.....		.....
21	.....		.....
22	.....		.....
23	.....		.....
24	.....		.....
25	.....		.....
26	.....		.....
27	.....		.....
28	.....		.....
29	.....		.....
30	.....		.....
31	.....		.....
Total 1 <sup>st</sup> Averaging Period		(A)	.....
Average Reserves for the 1 <sup>st</sup> Averaging Period $\frac{= (A)}{\text{No of Days (15 to 31)}}$		(B)	.....
Required Minimum Reserve		(C)	.....
Surplus/Deficit for the Period [(B) - (C)]		(D)	.....

**Note:** The number of days in some months of the year varies from each other, therefore in calculating the average reserves for the 1<sup>st</sup> averaging period the number of days should be adjusted accordingly.

Date		Line Ref.	Amount (NS'000)
1	.....		.....
2	.....		.....
3	.....		.....
4	.....		.....
5	.....		.....
6	.....		.....
7	.....		.....
8	.....		.....
9	.....		.....
10	.....		.....
11	.....		.....
12	.....		.....
13	.....		.....
14	.....		.....
	Total <sup>212</sup> 1 <sup>st</sup> Averaging Period	(E)	.....
	Average Reserves for the 2 <sup>nd</sup> Averaging Period $\frac{\quad}{\text{No of Days (1 to 14)}} = \text{(E)}$	(F)	.....
	Required Minimum Reserve	(G)	.....
	Surplus/Deficit for the Period [(F) - (G)]	(H)	.....

Principal Officer's  
Signature: .....

Chief Accounting  
Officer's Signature:.....

Date: .....



**BANK OF NAMIBIA**  
**BANKING CIRCULAR 1/98**

**ANNEXURE A**

**A. LOCAL CHARGES**

**ADVANCES**

- Commitment Fees for overdrafts
- Occasional overdraft excesses
- Valuations
- Other

**COLLECTIONS & LEGAL**

- Letters Reminders & final notices
- Unpaid cheques
- Other

**CORRESPONDENCE/TRANSFERS**

- SWIFT
- Telegraphic Transfers
- Other

**CURRENT ACCOUNTS**

- Auditors Certificates
- Cash Deposit Fee
- Counter cheques
- Deposits post dated cheques
- Service Fee
- Stop Orders
- Payment stopped
- Other

### **GUARANTEES**

- Guarantees/Letters of undertaking
- Property guarantees
- Other

### **SAFE CUSTODY & SECURITIES**

- Safe Custody
- Safe Deposit Lockers
- Other

### **STATIONERY**

- Cheque Books
- Other

### **SUNDRIES**

- Banks own cheques

- Letters of authority
- Travellers cheques
- Lost card
- Other

#### **HOME LOANS**

- Valuations and fees
- Other

### **B. FOREIGN CHARGES**

#### **LETTERS OF CREDIT (EXPORTS)**

- Opening/advising credits
- Amendments
- Cancellations
- Deferred Payments
- Other

#### **LETTERS OF CREDIT (IMPORTS)**

- General
- Extensions
- Deferred Payment
- Credits advised by SWIFT
- Revenue Stamps

### **FOREIGN BILLS PURCHASED**

- Foreign bills purchased/negotiated
- Dishonour fee
- Other

### **FOREIGN BILLS FOR COLLECTION INWARDS**

- General
- Clean Bills/Cheques
- Release of document (Free of payment)

### **FOREIGN BILLS FOR COLLECTION OUTWARDS**

- General
- Clean Bills/Cheques
- Telegraphic Expenses

### **SHIPPING DOCUMENTS**

- Bonding/releasing goods relative to unpaid bills
- Other

### **FORWARD EXCHANGE CONTRACT**

- General
- Purchases/sales contracts

### **BANK NOTES AND TRAVELLERS CHEQUES**

- General
- Travellers cheques

## **GUARANTEES**

- Shipping guarantees
- Other

## **TRADE FINANCE & OFFSHORE LOANS**

- Take up of new loans
- Other

## **EXCHANGE CONTROL WORK**

- General
- Travel Allowance
- Student Allowance
- Maintenance Allowances