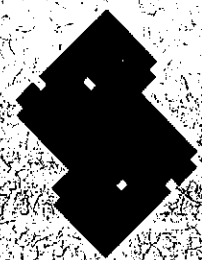


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**Bank Supervision Department**

**BANKING INSTITUTIONS ACT**

**CIRCULAR - BIA 1/05**

**TO: ALL BANKING INSTITUTIONS**

**DATE: 1 April 2005**

**STATUTORY RETURNS AND INSTRUCTIONS, DIRECTIVES AND INTERPRETATIONS**

**1. Introduction**

In order to carry out the assessment of the financial soundness of banking institutions and to ascertain their compliance with statutory requirements, the Bank in terms of section 49 of the Banking Institutions Act, 1998, requires banking institutions to submit a number of statutory returns on a regular basis.

**2. Purpose**

The purpose of this Circular is solely to present a set of statutory returns and the related instructions, directives and interpretations to all banking institutions for completion and submission to the Bank. The objective of such directives and interpretations is to provide guidance on the basic principles to be applied when completing the statutory returns and to provide instructions on the caption on each line item on the returns.

**3. Implementation and Reporting**

3.1 All banks are required to submit their statutory returns in the format provided in the attachment to this Circular. Reference is therefore made to the table under "GENERAL INSTRUCTIONS" of the attachment to the Circular, which outlines the respective due dates for submitting the various returns to the Bank. Failure by any banking institution to submit returns on the due date shall call for non-compliance to be filed against such banking institution.

- 3.2 Following the installation of the Bank Supervision Application (BSA) system, banking institutions are required to submit their returns both in hardcopy and electronic (soft) copy via the following e-mail address: [returns@bon.com.na](mailto:returns@bon.com.na). This parallel submission is to allow for smooth transformation and will continue until the BSA system is fully operational.
- 3.3 In order to test the system with live data, banking institutions are required to re-submit all monthly returns for the month of February 2005 using the new return templates. These returns should reach this office by not later than 23 April 2005.
- 3.4 All monthly returns that were previously due for submission on the 21<sup>st</sup> of each month will now be submitted on the 26<sup>th</sup> of each month.
- 3.5 Due to the re-submission of February returns, banking institutions are given an extension for the submission of March returns, which are due for submission on 26<sup>th</sup> of April 2005, until 30 April 2005. Thereafter, banking institutions are to comply with submission date of 26<sup>th</sup> of each month.

#### 4. Signatures on the Returns

Banks are required to complete and sign a declaration form (BSD 999). This form will be completed by all officers responsible for the completion of each specific return. At the bottom of the declaration form, the Chief Financial Officer and the Principal Officer will then sign to certify the correctness of information submitted to the Bank. The idea is to cater for electronic submission of returns following the installation of BSA system.

#### 5. Repeal of the Returns

Circular BIA 1/04 and the appended (existing) returns are hereby repealed. The new set of returns and the related directives will become effective from 1 April 2005.

#### 6. Additional Copies

Two additional copies of this Circular are enclosed for the use of your institution's independent auditors. The attached "Acknowledgement of Receipt" duly completed and co-signed by the said auditors, should be returned to this Office at your earliest convenience.

  
P M MWANGALA

SENIOR MANAGER

# **ATTACHMENT**

## **STATUTORY RETURNS AND INSTRUCTIONS, DIRECTIVES AND INTERPRETATIONS**

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# STATUTORY RETURNS AND INSTRUCTIONS, DIRECTIVES AND INTERPRETATIONS RELATING TO THE COMPLETION THEREOF

## PART I

### DEFINITIONS

The definitions or terms used within this document are as defined in the Act and/or the relevant Determinations or as reasonably implied by contextual usage.

## PART II

### 1. GENERAL INSTRUCTIONS

#### a. Banking Supervision Application (BSA) Specification

##### 1. Use of Apostrophes

The use of apostrophe is not allowed on the returns as the Bank Supervision Applications (herein referred to as the BSA system) will reject any return containing apostrophes. For example, *bank's returns* should be written as *banks returns*, although this could be grammatically wrong.

##### 2. Date Formatting

The BSA system can only accept the data on the returns if the date is inserted in one specific format. The date should therefore be entered as follows: **2005/02/28**. This applies to both **Start date and End Date**.

##### 3. Short Names for Banks

For the purposes of the BSA system, banks are required to abbreviate their names and enter the abbreviated names on the returns as follows:

Bank Windhoek Limited	<b>BWHK</b>
First National Bank of Namibia Limited	<b>FNB</b>
NedBank Namibia Limited	<b>NEDB</b>
Standard Bank Namibia Limited	<b>STDB</b>

#### b. Close of Business

The term "close of business" refers to the time established by the reporting banking institution as the cut-off time for receipt of work for posting transactions to its general ledger accounts for that day. The time designated as the close of business should be reasonable and applied consistently. The posting of a transaction to the general ledger means that both debit and credit entries are recorded as of the same date.

In addition, entries made to general ledger accounts in the period subsequent to the close of business on the reporting date that are applicable to the period covered by the returns (e.g., adjustments of accruals, posting of items held in suspense on the report date to their

proper accounts, and other month-end adjusting entries) should be reported in the returns as if they had actually been posted to the general ledger at or before the cut-off time on the reporting date. With respect to deposits received by the reporting banking institution after the cut-off time for posting them to individual customer accounts for a reporting date, but which are nevertheless posted in any manner to the reporting banking institution's general ledger accounts for that reporting date (including, but not limited to, through the use of one or more general ledger contra accounts), such deposits must be reported in returns pertaining to that reporting date.

### **c. Reporting Date**

The term "Reporting Date" as referred to in this document shall mean the date determined by the Bank as the cut-off date for reporting of balances, transactions or events on the specified returns or reports. Except for the Minimum Reserve Requirement (MRR 2) and Minimum Liquid Assets Requirements (BIR 610) which shall be reported covering the compliance periods commencing the 15<sup>th</sup> of the month to which the return relates up to the 14<sup>th</sup> of the following month, all other monthly returns and reports shall be reported as at or for the period covering up to the end of each calendar month. For returns and reports submitted at quarterly intervals, the reporting date shall be the 31<sup>st</sup> of March and December and the 30<sup>th</sup> June and September. For returns and reports submitted at semiannual and annual intervals, the reporting dates shall be the 30<sup>th</sup> of June and 31<sup>st</sup> of December respectively. Otherwise, the reporting date shall be as and when the transaction or event happens.

### **d. Frequency of Reporting**

The returns are required to be submitted monthly by all banking institutions except for the following returns, which are required on a less frequent basis:

#### **[i] Quarterly**

- BIR 500 - Credit Risk return
- BIR 510 - Large Exposures return
- BIR 520 - Interbank Exposures
- BIR 530 - Connected Borrowers
- BIR 190 (Form A) - Report on fraud and other economic crime

#### **[ii] Half Yearly**

- BIR 150 - Return regarding investments and interest held
- BIR 120 - Return regarding compulsory suspension of cheque accounts

#### **[iii] Yearly**

- BIR 140 - Return regarding shareholders of banks / controlling companies
- BIR 130 – Return regarding bank charges and fees

In addition, the following are to be rendered annually: Audited Annual Financial Statements; Management letter; Audit Reports and Audited returns and proof of insurance cover.

#### **[4] As and when**

- BIR 300 – Report on money laundering
- BIR 190 (Form B) – Report on fraud and economic crime

#### **e. Preparation of the Returns and Reports**

Banking institutions are required to prepare returns and statutory reports in accordance with these instructions and directives. All returns and reports shall be prepared in a consistent manner.

The banking institution's financial records shall be maintained in such a manner and scope so as to ensure that the returns and statutory reports can be prepared and submitted in accordance with these instructions and directives and reflect a fair presentation of the banking institution's financial condition and results of operations.

Questions and requests for interpretations of matters appearing in any part of these instructions and directives should be addressed to the Head of the Banking Supervision Department. Regardless of whether a banking institution requests an interpretation of a matter appearing in these instructions, when the Bank of Namibia's (hereafter referred to as the "Bank") interpretation of the instructions differs from the banking institution's interpretation, the Bank may require the banking institution to prepare its returns and reports in accordance with the Bank's interpretation and to revise returns and reports previously submitted.

#### **f. Certification for submission of statutory returns**

The principal officer and the chief accounting officer of a reporting banking institution shall sign and certify the form BSD 999 in respect of each return indicated on the said form, whether such a return is rendered on hardcopy format or by way of an electronic transfer facility. A duly completed, signed and certified form BSD 999 shall accompany every set of statutory returns. In the event that the Principal Officer and Chief Accounting Officer is not available to sign a completed form BSD 999, the designated officer performing the relevant function shall sign the form BSD 999 in an acting capacity and not on behalf of the absent Officer.

The furnishing of the returns referred to in this document, whether by way of the completion of the prescribed forms or by electronic means, shall be done at the intervals indicated in this document, and such returns shall be forwarded to the Office of Banking Supervision at the Bank of Namibia.

#### **Specimen Signatures**

Banking institutions shall be required to submit in addition to the abovementioned form BSD 999, a list of specimen signatures of its Principal Officer and Chief Accounting Officer as well as the officers designated to sign the form BSD 999 in the absence of such Officers, on or before 21<sup>st</sup> January each year or after any change in the designated Officers.

#### **Chief Accounting Officer**



The duly authorized Officer of the banking institution shall sign a declaration on the signature space provided for on the form BSD 999, in accordance with the abovementioned instructions.

### **Principal Officer Attestation**

The Principal Officer of a banking institution or his delegated Officer shall sign in attestation of the correctness of all returns and reports on the signature space provided for on the form BSD 999.

### **g. Submission of the Returns and Reports**

Each banking institution must submit its returns and reports in the manner and format prescribed by the Bank from time to time.

Each banking institution is responsible for ensuring that the return used on each reporting date is the appropriate form for the banking institution to use and reflects fully and accurately the item reporting requirements for that reporting date, including any changes that may be made from time to time.

### **Submission Date**

All monthly and quarterly returns must be received by the Bank on or before the 26<sup>th</sup> day of the following month. For example, the March 31 returns must be received by April 26 and the June 30 report by July 26. For semi-annual and annual returns, the submission deadline is the 21<sup>st</sup> day of the month succeeding the reporting date. For example, the June 30 returns must be received by July 21 and the December 31 report by January 21.

### **Revised Returns and Reports**

The Bank may require the submission of revised returns or reports if the returns or reports as previously submitted contain significant errors, as determined by the Bank, in how the reporting banking institution classified or categorized items in the returns or reports, i.e., on what line of the return an item has been reported.

When dealing with the recognition and measurement of events and transactions in the returns, revised returns may be required if the Bank determines that the returns as previously submitted contain errors that are material for the reporting banking institution. Materiality is a qualitative characteristic of accounting information, which is defined under the accounting framework AC 000 as "material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements". In other words materiality refers to the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

### **h. Scope of the "Consolidated Banking Institution" Required to be reported in the Submitted Reports**

When preparing returns for submission to the Bank, banking institutions and their subsidiaries shall present their financial condition and results of operations on a consolidated basis in accordance with the statement of generally accepted accounting practice, AC 132. Accordingly, the Consolidated returns shall consolidate the operations of:

- (1) the banking institution's head office;
- (2) all branches of the banking institution, domestic and foreign;
- (3) all majority-owned foreign banks held by the reporting banking institution; and
- (4) all other majority-owned subsidiaries

Each banking institution shall account for any investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence in accordance with the provisions of the statement of generally accepted accounting practice, AC 110.

### **Exclusions from the Coverage of the Consolidation**

*Trust accounts* - For purposes of the returns, the reporting banking institution's trust department is not to be consolidated into the reporting banking institution's balance sheet or income statement. Assets held in or administered by the bank's trust department and the income earned on such assets are excluded from all of the other returns except when trust funds are deposited with the reporting banking institution.

When such trust funds are deposited in the banking institution, they are to be reported as deposit liabilities on form BIR 100 in the deposit category appropriate to the beneficiary. Interest paid by the bank on such deposits is to be reported as part of the reporting banking institution's interest expense on form BIR 200.

*Custody accounts* - All custody and safekeeping activities (i.e., the holding of securities, jewellery, coin collections, and other valuables in custody or in safekeeping for customers) are *not* to be reflected on any basis in the balance sheet unless cash funds held by the banking institution in safekeeping for customers are commingled with the general assets of the reporting banking institution. In such cases, the commingled funds would be reported as deposit liabilities of the reporting banking institution.

#### **i. Rules of Consolidation**

For purposes of this Circular, all offices (i.e., branches and subsidiaries) that are within the scope of the consolidated bank as defined above are to be reported on a consolidated basis following the consolidation procedures under the Accounting Statement on consolidated financial statements, AC 132. Unless the line item instructions specifically state otherwise, this consolidation shall be on a line-by-line basis, according to the caption shown. As part of the consolidation process, the results of all transactions and all inter-company balances (e.g., outstanding asset/debt relationships) between offices, subsidiaries, and other entities *included* in the scope of the consolidated bank are to be *eliminated* in the consolidation and must be *excluded* from the balance sheet and income statement. (For example, eliminate in the consolidation (1) loans made by the banking institution to a consolidated subsidiary and the corresponding liability of the subsidiary to the bank, (2) a consolidated subsidiary's deposits in the bank and the corresponding cash

or interest-bearing asset balance of the subsidiary, and (3) the inter-company interest income and expense related to such loans and deposits of the banking institution and its consolidated subsidiary.)

However, this elimination excludes (1) loans made by the banking institution to the parent company, unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence and the corresponding liability of those companies, or conversely, (2) the parent company's, unconsolidated subsidiaries', associated companies', deposits in the bank and the corresponding cash or interest-bearing asset balance. (3) Accordingly, interest income and expense related to such loans and deposits of the banking institution and its parent and associates shall not be eliminated on consolidation).

*Subsidiaries of subsidiaries* - For a subsidiary of a banking institution, which is in turn the parent of one or more subsidiaries:

- (1) Each subsidiary shall consolidate its controlled subsidiaries in accordance with the consolidation requirements set forth above.
- (2) Each subsidiary shall account for any investments in unconsolidated subsidiaries, corporate joint ventures over which it exercises significant influence, according to the equity method of accounting.

*Minority interests* – For the purpose of this Circular, a minority interest arises when the reporting banking institution owns less than 100 percent of the equity of a consolidated subsidiary. The minority interest is part of the net results of operations and of net assets of a subsidiary attributable to interests that are not owed, directly or indirectly through subsidiaries, by the parent. Report minority interests in the reporting banking institution's consolidated subsidiaries in the "Minority interest in consolidated subsidiaries," line of the balance sheet. Report income (or loss) associated with such minority interests on the income statement under line item "Other sundry income".

#### **j. Applicability of Generally Accepted Accounting Principles to Regulatory Reporting Requirements**

For recognition and measurement purposes, the regulatory reporting requirements applicable to returns and reports shall conform to Generally Accepted Accounting Practice (GAAP) unless stated otherwise in these instructions or the determinations issued in terms of the Banking Institutions Act, no.2 of 1998. However, when reporting events and transactions not covered in principle by these instructions or authoritative GAAP standards, banking institutions are encouraged to discuss such event or transaction with the Bank.

Regardless of whether a banking institution discusses a reporting issue with the Bank, when the Bank's interpretation of how GAAP should be applied to a specified event or transaction (or series of related events or transactions) differs from the banking institution's interpretation, the Bank may require the banking institution to reflect the event(s) or transaction(s) in its returns in accordance with the Bank's interpretation and to revise previously submitted returns or reports.

These instructions contain certain specific reporting guidance that falls within the range of acceptable practice under GAAP.

These instructions have been adopted to achieve safety and soundness and other public policy objectives and to ensure comparability. Should the need arise in the future, other specific reporting guidance that falls within the range of GAAP may be issued.

There may be areas in which a banking institution wishes more technical detail on the application of accounting standards and procedures to the requirements of these instructions. Such information may be requested from the Bank or from the banking institution's external auditors.

#### **k. Miscellaneous General Instructions**

##### *Calculation of averages*

- 1) The average daily balance for the month in respect of liabilities or asset item, or any other balance, identified in the statutory returns, shall be calculated by totaling the amounts thereof for each day of all the days in the month and dividing such a total by the number of calendar days in the particular month to which the statement relates.

- 2) The balance is used in respect of a day on which the reporting banking institution is not open for business shall be the total of the relevant liability or asset item, or any other balance as at the close of business on the preceding business day.
- 3) If the reporting banking institution is unable to calculate an average daily balance for the month as envisaged in (1) above, the bank may apply to the Bank of Namibia for approval to use, in respect of a particular item, the month-end figure for the reporting month and the relevant figures for the preceding two month-ends to calculate the average balance.

#### *Gross balances*

- 1) Unless, otherwise provided in these Directives, including the statutory returns, all information required to be reported in the returns shall be reported on the basis of gross balances.
- 2) The reduction of balances shall only be effected as a result of the application of set-off and cash management scheme in terms of Circular BIA 5/98.
- 3) Assets pledged as security for liabilities of the reporting banking institution, and such liabilities, shall be reported respectively on the basis of gross balances.

#### **Verification**

All addition and subtraction should be double-checked before returns and reports are submitted. Totals and subtotals should be crosschecked to corresponding items elsewhere in the returns and reports. Before a return or report is submitted, all amounts should be compared with the corresponding amounts in the previous return or report. If there are any unusual changes from the previous report, a brief explanation of the changes should be attached to the submitted reports. Banking institutions should retain work papers and other records used in the preparation of these reports.

#### **I. List of forms prescribed in respect of returns to be submitted to the Bank**

<b>Form Number</b>	<b>Heading of form</b>	<b>Authorized bank in Namibia</b>	<b>Controlling Company</b>
BSD 999	Declaration in respect of statutory returns submitted	Is required as control sheet and for purposes of making required declarations and shall be submitted with all returns submitted to the Bank, including revised / amended returns	
<b>Monthly</b>			
BIR 610	Minimum liquid assets requirements	Monthly <sup>b</sup>	N/A

BIR 620	Maturity ladder	Monthly <sup>b</sup>	N/A
BIR 700	Minimum local assets requirements	Monthly <sup>b</sup>	N/A
BIR 100	Balance sheet	Monthly <sup>b</sup>	N/A
BIR 110	Off-balance sheet	Monthly <sup>b</sup>	N/A
BIR 200	Income statement	Monthly <sup>b</sup>	N/A
BIR 600	Currency risk	Monthly <sup>b</sup>	N/A
MRR 1	Minimum reserve requirements (Average daily amount of total liabilities to the public)	Monthly <sup>a</sup>	N/A
MRR 2	Minimum reserve requirements (Day-to-Day balances on reserve account with BON)	Monthly <sup>b</sup>	N/A
BIR 400	Capital adequacy requirements	Monthly <sup>b</sup>	N/A
<b>Quarterly</b>			
BIR 500	Credit risk return	Quarterly <sup>c</sup>	N/A
BIR 510	Large exposure return	Quarterly <sup>c</sup>	N/A
BIR 520	Interbank exposures	Quarterly <sup>c</sup>	N/A
BIR 530	Connected borrowers	Quarterly <sup>c</sup>	N/A
BIR 190 (PART A)	Report on fraud and other economic crime	Quarterly <sup>b</sup>	N/A
<b>Half Yearly</b>			
BIR 150	Return regarding investments and interest held	Semi-annually <sup>d</sup>	Annually
BIR 120	Compulsory suspension of cheque accounts	Semi-annually <sup>d</sup>	N/A

<b>Yearly</b>			
BIR 140	Return regarding shareholders of banks / controlling companies	Annually <sup>e</sup>	Annually
BIR 130	Return regarding bank charges and fees	Annually <sup>e</sup>	N/A
Prf. Of Com.	Return regarding insurance for banks	Annually <sup>e</sup>	N/A
Audited Annual Financial Stmt.	Report regarding the fair presentation of the bank's financial position and results	Whenever required for making report available <sup>f</sup>	
Man Letter	Management letter	Whenever required for making report available <sup>f</sup>	
Audit Reports	Audited returns as at year-end	Whenever required for making report available <sup>f</sup>	
<b>As and When</b>			
BIR 300	Report on money laundering	As and when	N/A
BIR 190 (PART B)	Report on fraud and other economic crime	As and when	N/A

1. Form BSD 999 is not a statutory return, but shall be used as a control sheet.
2. The statutory returns shall be submitted within the periods indicated below, as follows:
  - a. Within 14 days immediately following the month-end to which it relates.
  - b. Within 26 days immediately following the month-end to which it relates.
  - c. Within 26 days immediately following the quarter-end to which it relates.
  - d. Within 21 days after 30 June and 31 of December of each year.
  - e. Within 21 days after 31 December of each year.
  - f. Within 90 days immediately following the date to which the annual financial statements relate.