

BANK OF NAMIBIA
BANKING INSTITUTIONS ACT
CIRCULAR - BIA 3/98

TO: ALL BANKS

DATE: 23 APRIL 1998

PREFERENCE SHARES HELD BY BANKING INSTITUTIONS IN COMPANIES

Following discussions with the Technical Committee of the Bankers Association, the following principles shall forthwith be applied.

Section 39(2) of the Banking Institutions Act (no 2 of 1990) prohibits a banking institution from having any direct interest in any activities relating to non-banking business. Since a number of banking institutions currently hold preference shares in a company the following arrangements shall apply:

1. Exemptions

Exemptions from the provisions on section 39 may be granted on a case by case basis in consideration of the following:

- (i) The nature of the transaction being in the economic interest of Namibia;
- (ii) The approval of the Receiver of Revenue is obtained; and
- (iii) The value of the transaction does not exceed the surplus of the capital adequacy requirements of the banking institution.

2. Reporting requirement

The value of the transaction must be reported under Loans and Advances and not as investments on the BA 9 return. If the facility equals or exceeds 10% of the banking institutions capital funds it must also be reported as a large exposure. In such cases, the Determinations on large exposures shall apply.

3. Phase out of existing facilities

Current holdings of preference shares by banking institutions shall be allowed to reach maturity and may not be renewed without the approval of this Office.



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