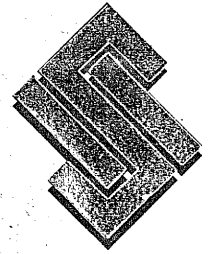


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Bank Supervision Department

CIRCULAR BIA 3/05

**EXPLANATORY NOTE TO DIRECTIVE ON MINIMUM
RESERVE REQUIREMENTS (BON – D 1/2005)**

TO: ALL BANKING INSTITUTIONS
DATE: 28 July 2005

Background:

Following, a meeting on the Directive on Minimum Reserve Requirements (BON – D 1/2005) with all banking institutions, it was decided to issue an explanatory note by way of a Circular to clarify the terms used in Circular 2/05.

Purpose:

The purpose of this Circular (i.e. explanatory note) is solely to present a set of definitions that will enable banks to have a clear understanding on how to complete the relevant line items appearing on form MRR 1.

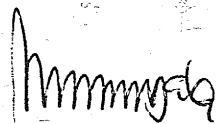
Definitions: Terms used within Circular 2/05 are as defined below, or as reasonably implied by the contextual usage in the said Circular:

1. **“Total deposits (including foreign deposits)”** – Refer to total unpaid balances of money or its equivalent received or held by a banking institution from a local or foreign source in the usual course of business and for which it has given or is obliged to give credit, either conditionally or unconditionally, to an account holder, including interest credited, or which is evidenced by an instrument on which the banking institution is primarily liable.

Shall include, but not limited to: Demand, savings, notice and fixed deposits, negotiable certificates of deposits and interbank and intragroup deposits as per line items 3, 4 and 11 to 15, column 4 on the return BIR-100.

2. **"Loans and advances received"** – Refer to any borrowings or other credit facilities entered into by the reporting banking institution and for which it is primarily liable as per line items 6, 7, 8 and 17 to 21 on the return BIR-100, including hybrid (debt/equity) instruments and subordinated term debt instruments that qualify as capital in accordance with the provisions of the Determination on Capital Adequacy (BID-5).
3. **"Total other liabilities to the public (excluding capital)"** – shall include the following:
 - 3.1 Income tax and deferred tax payable.
 - 3.2 Accrued expenses (i.e. accounts payable), which means all expenses incurred or outstanding and not yet paid.
 - 3.3 A dividend declared or proposed by a banking institution to the holders of equity instruments before balance sheet date that is recognized as a liability as at balance sheet date.
 - 3.4 An obligation that represents a conditional, contingent or endorser's liability.
 - 3.5 Remittances in transit (i.e. cash items in process of collection) will also form part of other liabilities, e.g. cheques in the process of collection, drawn on a banking institution or other banking institution that are payable immediately upon presentation in Namibia, including cheques forwarded to the Bank of Namibia in process of collection and cheques on hand that will be presented for payment or forwarded for collection on the following business day. However, please note that cash items in process of collection do not include items handled as non-cash collection and credit card sales slips and drafts.
 - 3.6 Any local or foreign liability of a banking institution on any promissory notes, acknowledgement of advances, bankers acceptances, or similar obligations (written or oral), that is issued by a banking institution as a means of obtaining funds.

4. "Capital" - Shall include the following: Issued share capital, share premium, non-distributable reserves (i.e. revaluation on property, plant and equipment), distributable reserves (i.e. general reserves and retained income including unaudited profits) and convertible debt instruments (i.e. debentures convertible into equity with the prior consent of the Bank).



P MWANGALA
SENIOR MANAGER