

BANK OF NAMIBIA

CIRCULAR BIA 1/07

TO: ALL BANKING INSTITUTIONS

DATE: 9 MARCH 2007

PROCEDURES FOR ADMINISTRATION OF MINIMUM RESERVE REQUIREMENTS IN NAMIBIA INTERBANK SETTLEMENT SYSTEM (NISS)

1. Background:

Further to the introduction of the Minimum Reserve Requirement Directive (BON-1/2005 of 15 August 2005, a number of issues have been identified which were not clearly explained in the directive nor in the Circulars (BIA 2/05 and BIA 3/05) resulting in constant queries and explanations.

2. Purpose:

The purpose of this Circular is to explain a set of procedures on the administration of the Minimum Reserve Requirement (MRR) in NISS and specifically the procedures to be followed to load the amount when the maintenance period falls over a week-end, Sunday, Monday or on a public holiday. It further explains the functionality of NISS relating to the administration of MRR.

3. Definitions:

Terms used in Circulars 2/05 and 3/05 as defined, or as reasonably implied by the contextual usage in the said Circulars remain unless otherwise:

3.1 “Total other liabilities to the public (excluding capital)” – shall include the following:

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 institutions that are payable immediately upon presentation in Namibia, including cheques forwarded to the **Payment Clearing House** in process of collection and cheques on hand that will be presented for payment or forwarded for collection on the following business day. However, note that cash items in process of collection do not include items handled as non-cash collection and credit card sales slips and drafts.

4. Procedures for administering MRR in NISS

The following procedures will be followed in loading the amount in NISS at the start of the maintenance period:

- 4.1 If a maintenance period commences on a Saturday the new minimum reserve amount shall be loaded in NISS on a Friday and shall be effective on Saturday.
- 4.2 If a start of a maintenance period falls on a Sunday, the maintenance period shall commence on a Saturday and therefore the new minimum reserve amount shall be loaded in NISS on a Friday effective for Saturday.
- 4.3 If a maintenance period commences on a Monday, the new minimum reserve amount shall be loaded in NISS on a Friday and diarized effective for Monday.
- 4.4 If the amount for the new maintenance period is higher than the amount of the previous maintenance period on the effective date NISS will automatically increase the reserve account to be equal to the new amount to be maintained. Therefore it is not needed for the banking institution to manually transfer the difference from settlement account to the reserve account
- 4.5 Conversely, if the amount for the new maintenance period is less than the amount of the previous maintenance period, the onus is on the banking institutions to transfer the difference reserve account to settlement account. NISS does not automatically transfer the difference to settlement account
- 4.6 If a banking institutions wishing to utilize 25 (twenty five) percent of the Minimum Reserves for intraday settlement purposes, it is incumbent upon the banking institution to transfer required amount from the Reserve Account to the Settlement Account. NISS does not automatically transfer the 25% to the settlement account. At the end of the day, however, NISS will automatically transfer the 25% back to the Reserve Account in order to ensure the 100% maintenance.

5. Scheduled visits

It should be noted that, the submission of the return form MRR 1 (old), enclosed in Circular – BONA 1/98, will be discontinued with effect as from the 15th of April 2007. However, due to the variances noted between the old and latest returns submitted, the Bank is obliged to perform scheduled visits to validate the accuracy of figures contained in the return on the average daily amount of total liabilities to the public form MRR 1 as per Directive BON-D 1/2005.

6. Submission

The return be submitted in accordance with procedures laid down as per Circular (BIA 2/05). If a maintenance period starts over a week-end or on a Monday, submission shall be made on Friday or the last working day of the week to enable the Bank to load and diarize the minimum reserve amount on a Friday or the last business day of the week.

7. Additional Copies

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

LIONEL MATTHEWS
DIRECTOR