



# **FINANCIAL STABILITY AND MACROPRUDENTIAL POLICY**

## Contents

List of Abbreviations.....	3
Definition of Key Concepts.....	4
Foreword.....	5
1. Background.....	6
2. Objectives of Financial Stability and Macroprudential Policy .....	7
3. Legal and institutional framework.....	8
4. Financial stability monitoring and assessment.....	8
5. Policy tools and implementation.....	11
6. Macroprudential oversight committee (MOC) .....	14
7. Financial System Stability Committee (FSSC).....	16
8. Consultations with NAMFISA .....	19
9. Crisis Management Framework.....	20
10. Governance .....	20
11. Macroprudential Policy Communication .....	21
12. Review and approval of the policy.....	22
Bibliography .....	23
Annex 1: MOC Code of Conduct.....	24
Annex 2: FSSC Code of Conduct.....	26

## List of Abbreviations

<b>FSR</b>	Financial Stability Report
<b>FSSC</b>	Financial System Stability Committee
<b>IMF</b>	International Monetary Fund
<b>MOC</b>	Macroprudential Oversight Committee
<b>MOF</b>	Ministry of Finance
<b>MPC</b>	Monetary Policy Committee
<b>NAMFISA</b>	Namibia Financial Institutions Supervisory Authority
<b>SIFIs</b>	Systemically Important Financial Institutions

## Definition of Key Concepts<sup>1</sup>

<b>Financial crisis</b>	A financial crisis is defined as a disruption to financial services resulting from an impairment of all or some parts of the financial system, with potentially serious consequences to the real economy.
<b>Financial stability</b>	The resilience of the domestic financial system to internal and external shocks, be they economic, financial, political or otherwise.
<b>Financial system</b>	A set of financial institutions and financial market infrastructures that support the provision and trading of financial products and services.
<b>Macroprudential policy</b>	Macroprudential policy refers to the use of prudential tools to make the financial system more resilient and limit the build-up of vulnerabilities. It aims to mitigate systemic risk, minimise the incidence of disruptions, and effectively provide key financial services to the real economy.
<b>Microprudential policy</b>	Microprudential policy entails promoting the safety and soundness of specific financial institutions and the protection of depositors.
<b>Systemic risk</b>	The Financial Stability Board (FSB) defines systemic risk as the risk that a systemic event will occur. Systemic risk can also be described as the risk of disruption to financial services that is caused by impairment to all or parts of the financial system and could have serious negative consequences for the real economy. Systemic risk can emanate from the failure of an individual institution or Financial Market Infrastructure (FMI), which can spread to the other institutions that are connected to it.

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<sup>1</sup> Definitions as drawn from 1. Elements of Effective Macroprudential Policies by IMF-FSB-BIS; 2. Macroprudential Policy Tools and Frameworks Progress Report to G20. IMF, FSB, BIS; 3. Financial Stability Surveillance Framework (FSB).

## Foreword

The purpose of this document is to outline a policy for financial stability and macroprudential oversight. This includes the coordination of activities to safeguard the financial system in Namibia. The policy outlines how the Bank of Namibia (hereinafter “the Bank”) will coordinate its financial stability and macroprudential oversight mandate following consultation with the Namibia Financial Institutions Supervisory Authority (NAMFISA) and the Ministry of Finance (MOF). It further documents how decisions will be taken and defines the structures and processes of macroprudential policy in Namibia. This policy may be updated as the need arises.

## 1. Background

The 2008 financial crisis sparked a debate about whether central banks should be given a stronger role in regulating and supervising the financial system and the associated systemic risk. It highlighted the gaps that existed within the mandates of the agencies responsible for regulating and supervising financial institutions, as well as those entrusted with maintaining the stability of the financial system. Financial stability not only reflects a sound financial system, but it also reinforces trust in the system and prevents behavioural phenomena that can destabilise an economy (Nier, 2009). Therefore, the mandate of some central banks was expanded to also include overseeing systemically important non-bank financial institutions alongside banks, as well as the risks emanating from interconnectedness within the financial system.

A strong institutional framework is crucial for effective macroprudential supervision, enabling the assessment of potential sources of the most prominent or imminent risk to the system and taking timely and effective policy decisions to mitigate such risks. In doing so, it is also critical that one institution is assigned a mandate to oversee macroprudential policy and ensure interagency coordination between the relevant institutions. In this regard, the Bank of Namibia Act 1 of 2020 (hereinafter “the Act”) assigns the responsibility of macroprudential oversight and the coordination of activities to safeguard financial stability to the Bank.

Macroprudential regulation refers to a holistic approach to regulating the financial system through the use of macroprudential policy tools. The IMF in its Staff Guidance Note on Macroprudential Policy defines macroprudential policy as the use of primarily prudential tools to limit systemic risk, where systemic risk is the risk of disruptions to the provision of financial services that is caused by an impairment of all or parts of the financial system and can cause serious negative consequences for the economy as a whole. Financial instability can erode trust in the financial system. Thus, trust in the financial system is important for the smooth flow of transactions, including local and foreign investment in the economy, which is essential for achieving sustainable economic growth and development in Namibia. This document thus aims to clarify how financial stability assessments and macroprudential regulation are conducted and coordinated in Namibia.

## 2. Objectives of Financial Stability and Macroprudential Policy

The overall objective of financial stability and macroprudential policy in Namibia is to promote and safeguard financial stability through the early identification and mitigation of systemic risks. More specifically, macroprudential policy has two broad aims that are complementary: 1) strengthening the resilience of the financial system to economic downturns and other adverse aggregate shocks; and 2) limiting the accumulation of financial risks and the likelihood or the extent of a financial crisis (BIS, 2017). For macroprudential policy to be successful, it should have intermediate policy objectives. These include:

- I. Reducing excessive growth in credit, asset prices, particularly real estate, and leverage. Unhealthy credit growth, which ultimately presents higher rates of default, particularly by highly leveraged borrowers, has been identified as a key driver of financial crises in many economies.
- II. Mitigating and preventing excessive maturity mismatch and market illiquidity. Reliance on short-term and unstable funding may lead to fire sales, market illiquidity, and contagion.
- III. Reducing direct and indirect concentrations of exposures to the same markets, products and institutions. Exposure concentrations make a financial system vulnerable to common shocks, either directly through balance sheet effects or indirectly through asset fire sales and contagion.
- IV. Strengthen the resilience of financial market infrastructures. Financial market infrastructures operations are key to ensuring the timely settlement of transactions amongst various parties within the financial system and preventing the amplification of a crisis.

**Sound macroprudential policy increases the resilience of the financial system to adverse aggregate systemic shocks.** This is done proactively through the establishment of buffers and other measures to help cushion the impact of adverse systemic shocks and sustain the provision of financial services and credit to the economy. It focuses on the interactions between financial institutions, infrastructure, markets, and the real economy. On the other hand, microprudential policy assesses the risks and stability at the institutional level, irrespective of the state of the financial system and the economy.

### 3. Legal and Institutional Framework

**The Namibian financial system is regulated on a sectoral basis by two authorities.** The Bank is responsible for regulating the banking sector under the Bank of Namibia Act, 2020 (Act No. 1 of 2020), and any other law that confers powers to the Bank. NAMFISA is responsible for regulating the non-banking financial institutions under the NAMFISA Act, 2001 (Act No. 3 of 2001), as amended, and any subsequent amendments thereto, as well as any other law that confers powers to NAMFISA. In 2020, the Bank of Namibia Act, 1997, as amended, was repealed and replaced by the Bank of Namibia Act, 2020 (Act No. 1 of 2020). The Act expanded the Bank's mandate to include, amongst others, macroprudential policy oversight, which is aimed at overseeing the financial system as a whole and coordinating activities to safeguard financial stability.

**The Bank established the Macroprudential Oversight Committee (MOC) to assist the Governor in executing macroprudential policy decision making powers assigned to the Bank.** Chapter 6 (Section 32) of the Bank of Namibia Act, 2020 (Act No. 1 of 2020), further empowers the Bank to establish the Financial System Stability Committee (FSSC) as an advisory body to the Bank. The role of the FSSC is to assist in monitoring the financial system concerning risks, weaknesses, disruptions, or developments that may harm or threaten financial stability in Namibia. Additionally, the FSSC provides advice and makes recommendations as needed.

### 4. Financial stability monitoring and assessment

**The overall objective of financial stability assessment is to promote and safeguard financial stability through the early identification and mitigation of systemic risks.** Financial stability assessments aim to ensure the timely identification of systemic risks build-up, both cyclical and structural, and enhance the monitoring of such vulnerabilities within the financial system. The bank uses the following methods for this purpose:

1. **The financial stability heatmap** provides a graphical presentation of changes in various financial stability indicators over time, thus highlighting cyclical changes. The heatmap highlights deviations from long-term trends, offering early detection of potential systemic vulnerabilities. The heatmap is particularly valuable in highlighting deviations from long-

term trends that could signal financial stress. This allows for timely and informed policy interventions to mitigate potential risks. The heatmap is partitioned into three key categories of vulnerabilities:

- I. **Valuations Pressures/Risk Appetite:** This partition monitors market sentiment and asset valuations, facilitating the assessment of whether excessive risk-taking is emerging within the financial system. Elevated values in these indicators may signal overvaluation, increased investor risk appetite, or heightened market volatility, highlighting potential vulnerabilities to sharp market corrections.
- II. **The Financial Sector Vulnerabilities:** Indicators in this category capture risks within the banking and non-banking financial sectors, including liquidity, leverage, and solvency risks.
- III. **The Non-Financial Sector Vulnerabilities:** This focuses on the health of the corporate, government and household sectors, particularly their debt levels and ability to service their obligations.

The heatmap approach is dynamic, adapting to evolving economic conditions and offers a robust method to monitor financial imbalances within the financial system. Once significant deviations are identified, further in-depth analysis is undertaken to assess the nature and extent of the risks.

2. **Stress-testing** provides a quantitative assessment of the banking sector's resilience, given simulated stress scenarios. The Bank employs two stress test models:
  - I. **The Čihák Stress Test Model** is used to assess the resilience of the Domestic Systemically Important Banks (DSIBs) to credit and liquidity risks through a scenario-based approach. The scenarios are modelled focusing on interest rate risk, credit risk, and liquidity risk to estimate the solvency and liquidity position of the banking sector, holding other factors constant. The first scenario is a baseline approach that follows the current policy environment domestically, regionally and globally. The intermediate and severe scenarios apply increasingly adverse shocks.

- II. **The Dynamic Bank Balance Sheet Tool (DBBST)** allows for a multi-year stress test by incorporating historical macroeconomic trends and projecting longer-term impacts. In addition to the variables used in the Čihák model, some of the variables included in the DBBST are real GDP, inflation, sovereign bond yields (2- and 10-year), the repo rate, the prime rate, house prices, and the exchange rates. The Bank utilises the DBBST to quantitatively assess financial sector resilience under different macro-financial risk scenarios as part of its financial stability analysis, with a focus on solvency.
3. **Mortgage market analysis:** The loan book in the banking sector is dominated by mortgage lending; as such, significant changes in the housing market conditions would have an impact on financial system stability. Furthermore, at the centre of many financial crises has been housing market booms, fuelled by over-leveraged households and banks. This exercise involves an analysis of the primary and non-primary residential mortgage loans held by individuals at Domestic Systemically Important Banks (DSIBs). The analysis also examines the loan-to-value ratio at initiation, as well as the outstanding loan value and non-performing loans. Other factors influencing the demand and supply of property that are analysed include housing price index, rental price index, building plans approved, mortgage credit growth, as well as mortgage non-performing loans. All these factors are further developed into a property heatmap.
4. **Growth at Risk model (GaR):** The GaR model was developed by the IMF and serves as a forward-looking risk assessment tool and is essential in shaping macroprudential policies as it links financial stability and economic performance. Although the GaR analysis is not structural and thus cannot ascertain causal links, it helps quantify the macroeconomic impact of systemic risk. Highlighting the potential downside risks strengthens the case for pre-emptive measures, even without immediate economic distress, contributing to overall financial system stability.
5. **Qualitative systemic risk analysis and research:** While quantitative indicator highlights trends, further analysis is required to identify a build-up of systemic risks and vulnerabilities, and deal with risks that cannot be captured quantitatively, such as the Residual Vulnerability Matrix (RVM). Furthermore, the bank undertakes various research on topics relevant to financial stability.

## 5. Policy Tools and Implementation

### 5.1. Policy Tools

**When selecting an appropriate macroprudential policy instrument, an important consideration will be the effectiveness of the instrument in meeting the policy objectives, given the risks facing the financial system at that time.** The objectives of macroprudential policy are to increase the resilience of the domestic financial system and counter instability in the domestic financial system arising from credit, asset price, or liquidity shocks. It is possible that the weight given to each of these objectives may vary over time. In some cases, the optimal response may involve using more than one policy tool.

**There are several macroprudential tools available to use in Namibia.** Macroprudential tools are mainly divided into capital, liquidity, and asset-based instruments. However, these classifications are not definitive, as regulators continually introduce additional tools in response to emerging risks and specific conditions within the financial system. Macroprudential tools can be used to mitigate systemic risk by setting thresholds for the ratio of assets, capital, and liquidity held by the industry. The choice of a particular tool depends on the regulator's intermediate objectives. Additionally, a single tool can help achieve several objectives. Although the Bank has the right to implement macroprudential tools to mitigate overall systemic risk, it is important that the financial system is not overregulated, as this may have a negative impact on the profitability of financial institutions, financial innovation, and economic growth in the long term. However, the financial system should be monitored closely, and all macroprudential tools should be implemented at the lowest possible cost.

**As new risks emerge, new policy tools or changes to existing policy tools may become necessary.** The Financial Stability and Macroprudential Oversight Department shall propose these and have them approved by the MOC on the recommendation of the FSSC. This shall be done after thorough research and consideration of international best practices.

### 5.2. Implementation of Policy Tools

**The implementation of macroprudential policy in Namibia is conducted through four continuous processes.** These processes comprise the policy cycle and culminate in whether a decision on macroprudential policy should be made. The first step entails the identification and

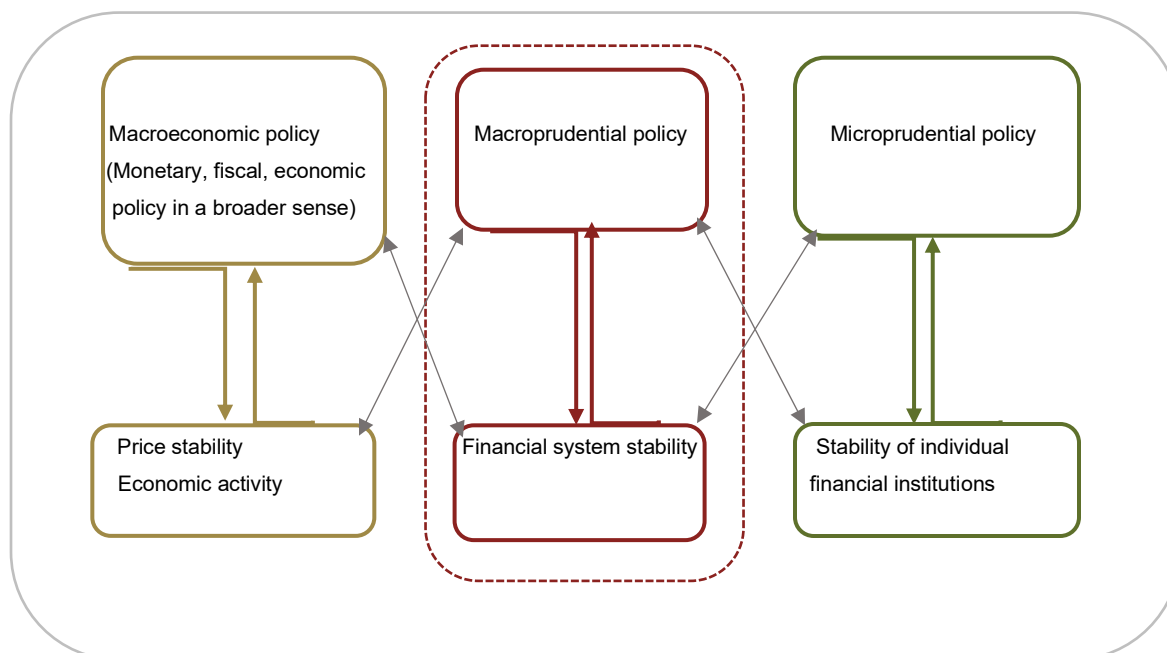
evaluation of risk analysis, the second step is instrument selection and calibration, the third is the policy decision making and implementation stage, and the final step includes the evaluation phase, which focuses on the impact of instruments in view of possible adjustment/deactivation.

- I. **Identification and evaluation of systemic risks:** This phase as described under section 4 includes the analysis of existing and potential systemic risks in the financial system. The Bank regularly conducts risk assessments to identify the sources of systemic risks and their transmission channels. This risk identification and assessment is done using a wide range of indicators, analytical methods, and expert judgment.
- II. **Selection and calibration of the macroprudential instrument:** The selection of a specific macroprudential instrument to be used depends on various factors, and considers the source of risk, intermediate objective, and an instrument or more that can help achieve several objectives. Moreover, it is essential to ensure that the instruments are used in tandem with other policies.
- III. **Implementation of the macroprudential instrument:** In this phase, the FSSC makes recommendations to the MOC based on a wide range of quantitative and qualitative risk assessments, and the Governor approves the decisions on the use of macroprudential instruments. The timeframe for implementing the regulations and directives will consider the need for the affected financial institutions to adjust their procedures, policies, and processes, as well as to train their staff. It should be noted that the Governor will have the discretion to determine the notice period for the implementation of regulations and directives based on the prevailing situation. The implementation of macroprudential tools will be the responsibility of the MOC and shall be enforced by the micro-prudential regulators of the affected institutions.
- IV. **Evaluation of the macroprudential instrument:** This is the key element of the policy cycle as it helps provide feedback on the effectiveness of macroprudential policy instruments and helps to enhance the understanding of the transmission mechanism, as well as improve decision-making and accountability. Following the macroprudential policy interventions, the Bank monitors the effect of the instruments. After the evaluation, the Bank may take decisions on further interventions, modification of existing regulations or withdrawal of the regulation.

### 5.3. INTERACTION WITH OTHER POLICIES

To ensure effectiveness, macroprudential regulation must properly interact with the Bank's other policies. Within the Bank's mandate, macroprudential policy interacts with monetary policy and microprudential supervision. These policies react to different challenges and have distinct objectives; however, they need to interact with and complement one another. Monetary policy is the part of macroeconomic policy that aims to support the Namibia Dollar's purchasing power by maintaining low inflation, through importing stable inflation from the anchor country. This objective is one of the preconditions of financial stability. Equally important, a stable financial system contributes to the effectiveness of the transmission channel of monetary policy. Moreover, in maintaining financial stability, the Bank conducts microprudential policy (banking and non-banking supervision). Macroprudential and microprudential policies both aim to build a stable and resilient financial system. The former focuses on the stability of the entire financial system, while the latter focuses on the soundness of individual financial institutions. These policies reinforce each other in terms of risk monitoring and policy design (Figure 1). Coordination and cooperation between macroprudential policy and microprudential supervision contribute to policy effectiveness. Financial stability, macroprudential regulation, and monetary policy coordination is thus catered for through cross-membership in the FSSC, MOC and the Monetary Policy Committee (MPC).

**Figure 1: Interaction with other economic policies**



## **6. Macroprudential Oversight Committee (MOC)**

### **6.1. Establishment and Mandate of the Macroprudential Oversight Committee**

**The Act provides the Bank with the responsibility of macroprudential oversight over the financial system.** This includes coordinating the activities involved in safeguarding financial stability to maintain and enhance a stable financial system in Namibia. The Governor, in executing this role, will be supported by the MOC established at the Bank. Specifically, the MOC supports the Governor in carrying out the following functions:

- I. Issue directives after consultation with NAMFISA, regarding macroprudential matters on behalf of the Bank;
- II. Co-ordinate activities involved in safeguarding financial stability and ensure compliance with the directives;
- III. Carry out periodic assessments of the financial system to identify and manage systemic risks to financial stability;
- IV. Manage the event of a system-wide financial crisis jointly with the Minister of Finance and NAMFISA with the aim of stabilising and restoring confidence in the financial system;
- V. Provide for regular briefing by the Bank of Namibia to the Minister of Finance, Cabinet, or the relevant standing committee of the National Assembly regarding the status of financial system stability in Namibia, particularly in the event of weak macroeconomic fundamentals, and to recommend action to be taken.

The Bank may request any ad hoc information or commission periodic reports from any office, ministry, or agency of the Government, a regulatory authority, a supervisory authority, or any institution that oversees banking institutions, financial institutions, or payment system participants, which the Bank considers necessary to give effect to financial stability.

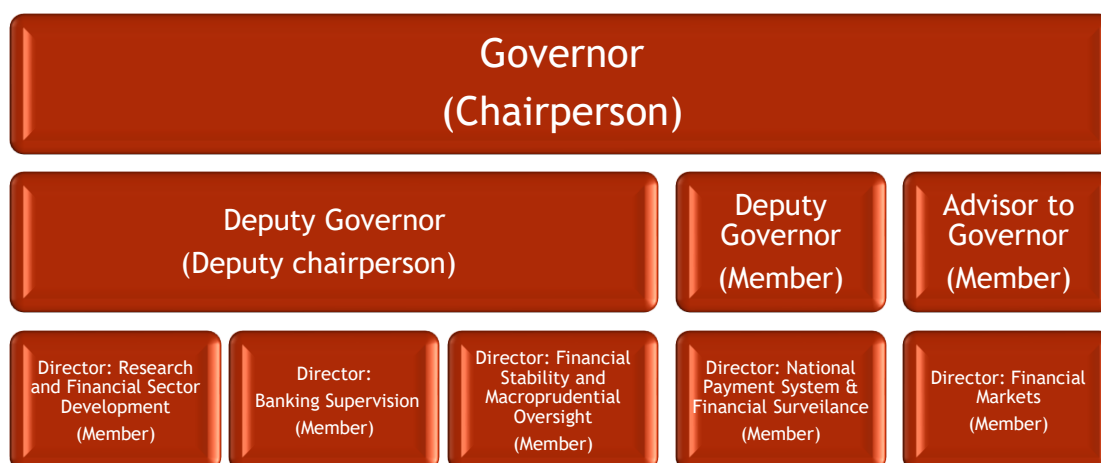
### **6.2. Composition of the MOC**

**The Macroprudential Oversight Committee shall consist of:**

- I. The Governor, who shall be the Chairperson;

- II. The Deputy Governors (the Deputy Governor responsible for Financial Stability is the Deputy Chair),
- III. The Advisor(s) to the Governor,
- IV. The Directors of the following departments: Financial Stability and Macroprudential Oversight, National Payment System & Financial Surveillance, Banking Supervision, Financial Markets, as well as Research and Financial Sector Development (Figure 2). Further, the Director of Strategic Communications and International Relations should also be in attendance.

**Figure 2: Composition of the MOC**



### 6.3. Secretariat

**The MOC is supported by a secretariat.** The secretariat is selected from staff in the Financial Stability and Macroprudential Oversight Department of the Bank. The secretariat's duties include organising the meetings, taking minutes during meetings, writing, presenting, and coordinating any necessary documents.

### 6.4. Frequency of Meetings

**The MOC shall meet at least twice a year.** The MOC may meet at any time during the year as the need arises; however, they are required to meet at least twice a year. At the bi-annual meetings, the MOC will be kept abreast of the key changes to systemic risk during the period and the overall state of the financial system. Additionally, recommendations from the FSSC shall be

discussed and approved at this platform. After each meeting, the Bank will release a media statement on the state of financial stability in Namibia and any material decisions made at the meeting, which is of public and industry interest. The statement will be released within three working days following the meeting.

## **6.5. Decision Making and Quorum**

The Governor of the Bank of Namibia has macroprudential decision-making powers, which the MOC will provide him or her with the necessary support. This means that while the MOC makes decisions by consensus, the Governor makes the final decision. The macroprudential decision-making powers delegated to the Governor are outlined in section 4.1. The quorum of the meeting will be 50 percent plus 1.

## **7. Financial System Stability Committee (FSSC)**

### **7.1. Establishment and Mandate of the FSSC**

**The FSSC was established to assist the Bank in monitoring risks that affect the financial system, as well as to provide advice and make recommendations to the Bank.** The FSSC was established in accordance with Chapter 6 (Section 32) of the Act and is responsible for:

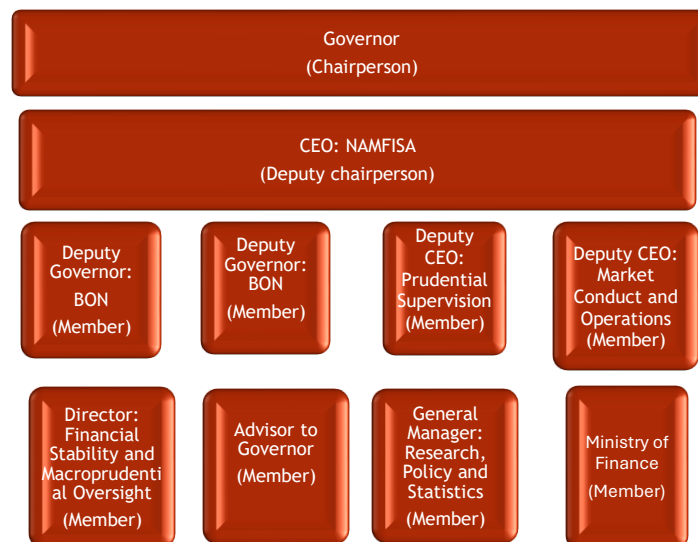
- I. assisting the Bank in monitoring the financial system against risks, weaknesses, disruptions, or developments that may harm or threaten the financial stability of Namibia,
- II. advising the Bank on any necessary action to be taken to mitigate or remedy the risks, weaknesses, or disruptions to financial stability,
- III. making recommendations to the Bank on which financial institutions must be considered as systemically important financial institutions for purposes of financial stability,
- IV. drafting the annual financial stability report to assist the Bank in assessing the stability of the financial system and,
- V. promoting the coordination of information exchange and sharing among members of the committee and the Bank.

**The FSSC further acts as a platform where matters related to financial stability between MOF, NAMFISA and the Bank can be liaised and discussed.** In executing its responsibilities, the FSSC is guided by three main principles: accountability, transparency, and timely exchange of accurate and near real time quality information.

## 7.2. Composition of the FSSC

The FSSC consists of members from the Bank of Namibia, NAMFISA, and a representative from MoF. The Bank is represented by the Governor as Chairperson, the Deputy Governors, plus two staff members nominated by the Governor.<sup>2</sup> As such, the Director of Financial Stability and Macroprudential Oversight and the Director of Banking Supervision are the nominated members. NAMFISA is represented by its CEO as Deputy Chairperson, as well as three staff members, nominated by the CEO, of whom at least one staff member must be a senior staff member. The nominated staff members representing NAMFISA include: Deputy CEO: Market Conduct and Operations, Deputy CEO: Prudential Supervision, and the General Manager: Research, Policy and Statistics. Furthermore, the committee comprises a representative from the Ministry of Finance, nominated by the Minister, who serves as an observer with no voting rights. This is because the Ministry of Finance is responsible for managing central government finances, which may be used to promote financial stability and may trigger a potential conflict of interest for the MoF member. The Director of Economic Policy and Advisory Services serves as a representative from the Ministry of Finance (Figure 3).

**Figure 3: Composition of the FSSC**



<sup>2</sup> Officials serving in the FSSC and MOC are closely aligned to ensure that they are adequately involved in deliberations on financial stability and macroprudential policy matters so that they can provide effective advice to the Bank.

**Additional members are to be in attendance at the FSSC meetings.** In addition to the above appointed members, the following officials or their representatives from the Bank will be in attendance at the FSSC meetings: the Technical Advisor(s) to the Governor, Directors of the following departments: National Payment System & Financial Surveillance, Research and Financial Sector Development, Financial Markets, Banking Supervision and Strategic Communications and International Relations. In addition, the Technical Expert(s) and Deputy Directors in the Financial Stability and Macprudential Oversight and Banking Supervision Departments are required to attend the meetings. Furthermore, the following officials or their representatives from NAMFISA will be in attendance at the FSSC meetings: General Managers: Insurance & Medical Aid Funds, Pension Funds & Friendly Societies, Market Conducts & Operations and Capital Markets, as well as the managers responsible for Corporate Communications and Financial Stability, respectively.

### **7.3. FSSC Technical Committee (TC)**

**To support the effective and efficient operations of the FSSC, a technical committee (TC) composed of representatives from relevant departments at the Bank of Namibia, NAMFISA, and MoF was established.** The technical committee shall carry out the preparatory work for the FSSC meetings. From the Bank, members of the technical committee comprise the Director of Financial Stability and Macprudential Oversight who will serve as Chairperson, as well as the Deputy Directors in the Financial Stability and Macprudential Oversight Department. The Deputy Director responsible for Financial Stability and Macprudential Surveillance will serve as the Deputy Chairperson. Other members of the FSSC TC are: Technical Advisor(s) to the Governor and the Technical Expert(s) to the Financial Stability and Macprudential Oversight Department.

**The Directors who attend<sup>3</sup> the FSSC should nominate at least one of their Deputy Directors to serve as a member of the TC.** The General Managers who are members of the FSSC should nominate at least one of their Managers to serve as members of the TC. The TC members from NAMFISA shall be the Managers from the following departments: Insurance, Pension Funds and Friendly Societies, Capital Markets, as well as the Managers: Financial Stability and Corporate Communications, respectively. From MoF, the TC member shall be a person reporting to the Minister's appointee on the FSSC who is at the level of a Deputy Director.

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<sup>3</sup> This includes voting (main) members and non-voting members.

#### **7.4. Frequency of Meetings and Secretariat**

As an advisory committee, the FSSC must meet as often as the business of the committee requires, but at least once every three months during each financial year. The secretariat will be selected from staff members in the Financial Stability and Macprudential Oversight Department of the Bank.

#### **7.5. Decision Making and Quorum**

A decision made by the simple majority of the members of the FSSC present and entitled to vote at a meeting of the committee constitutes a decision of the committee, but in the event of an equality of votes the person presiding at such a meeting has a casting vote in addition to his or her deliberative vote. A simple majority of all members of the FSSC present at a meeting of the committee forms a quorum, however the Governor or a Deputy Governor, and at least one representative from NAMFISA, must be present at each meeting of the committee.

### **8. Consultations with NAMFISA**

**NAMFISA remains the regulator of non-banking financial institutions as per the NAMFISA Act (Act, No 3 of 2001).** Therefore, should the Bank of Namibia require a directive that affects the non-banking financial institutions, the Bank must consult with NAMFISA prior to issuing the directives. NAMFISA shall be required to draft the relevant regulations/determinations required for such a directive to be implemented effectively. These consultations occur mainly during FSSC meetings and in line with the framework for cooperation between the Bank, MoF and NAMFISA.

**The Bank of Namibia strives to manage the expanded mandate by collaborating with NAMFISA through existing regulatory and supervisory channels.** The Bank and NAMFISA have established supervisory channels to regulate banking and non-banking financial institutions, respectively. In this regard, the two institutions meet at a senior level to share relevant information on issues of common interest, particularly overseeing the activities of institutions within the jurisdiction of both regulators. The Bank coordinates and oversees macroprudential activities in Namibia through continuous communication and interaction, as well as through the FSSC.

## 9. Crisis Management Framework

**In the event of a crisis, the Bank of Namibia is expected to effectively manage the situation in a conscientious manner, restoring order and public confidence in the financial system.**

While macroprudential tools can help in the event of a crisis, crisis management extends beyond the use of prudential tools. The process of crisis resolution typically involves an analysis aimed at developing a cost-effective alternative resolution and communicating the decision. This process is outlined in the Crisis Management Framework developed by the Bank. In addition, guidelines have been developed for cooperation in the field of financial stability, establishing a framework for cooperation among the Bank, MoF, and NAMFISA. The Guidelines outline how the Authorities will collaborate, both during crises and in normal times, towards the shared objective of financial stability in Namibia. Most importantly, the communication of a crisis and the resolution of failing financial institutions should be in accordance with the approved communication plan<sup>4</sup>.

## 10. Governance

**The financial stability and macroprudential oversight policy shall be implemented in accordance with the principles of good corporate governance, ensuring the protection of public interests.** In line with NamCode, the Bank aims to enhance corporate performance through ethics, professionalism, transparency, responsibility, and accountability. This includes adhering to the highest standards of corporate governance, such as well-defined processes in accordance with generally accepted corporate practices and in keeping with the respective regulators' mandates to ensure financial stability and a well-regulated financial system.

**The MOC and FSSC should be compliant with the codes of ethics and conduct of their respective institutions.** The principles that should guide the MOC and FSSC in performing their functions and responsibilities. The codes of conduct outlined in Annexures 1 and 2 encompass declarations of interest, immunity from personal liability, compliance, independence, and confidentiality.

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<sup>4</sup> The 'Communication Plan', an annexure to the 'Guidelines for Cooperation in the Field of Financial Stability', thus contains a detailed framework for the resolution of failing financial institutions that may potentially threaten the stability of the Namibian financial system and the communication thereof.

## 11. Macroprudential Policy Communication

**Industry-wide directives will be communicated through a media statement by the Governor or the Deputy Governor or any delegated staff member on behalf of the Bank.** The Bank is bound by the Bank of Namibia Act, 2020 (Act No. 1 of 2020) Chapter 9 (77), which details how the Bank should manage confidentiality while carrying out its duties. Directives that are company specific and deemed to be confidential will be issued to the board of the relevant financial institutions directly. If these directives lead to significant movements or changes in key systemic risk indicators, such changes will be communicated through the Financial Stability Report (FSR).

**The Macroprudential Oversight Committee will issue media statements after every meeting.** The MOC will issue a media statement after every meeting outlining the state of the financial system at the time. In addition to sending the media statement to various media houses, it will also be available on the Bank's website.

**The state of the financial system shall be communicated to the public through the FSR, which is jointly issued by the Bank and NAMFISA.** In this regard, a joint media release will be issued, and the FSR shall be published on both the Bank of Namibia and NAMFISA websites. Financial stability is one of the backbones of an economy; therefore, it is imperative that trends and developments in this space are communicated efficiently and effectively. Financial stability is partially maintained by managing the sentiments in the markets, which trigger behavioral phenomena that can destabilise the economy. As such, it is important to continually educate the public on financial stability matters and the measures being taken to mitigate economic risks, thereby enhancing and fostering confidence and trust in the economy. Efficient and effective communication includes the timely, accurate, and relevant dissemination of information and data to the public. In Namibia, this communication is done through the FSR, which is coordinated and approved by the FSSC.

**12. Review and approval of the policy**

This policy will be reviewed every three years or as and when necessary.

Approved by:

  
.....

20/11/2025  
.....

**Mr. Ebson Uanguta**

**Date**

**GOVERNOR AND CHAIRPERSON OF THE MACRO-PRUDENTIAL OVERSIGHT  
COMMITTEE (MOC)**

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## **Annex 1: MOC Code of Conduct**

### **1. Fundamental principles**

Macroprudential Oversight Committee (MOC) members shall act with loyalty to the Bank, be honest, objective, and impartial, and subscribe to the highest standards of professional ethics, diligence, good faith, and integrity. They shall avoid any action, or inaction, which could in any way impair the Bank's capacity to carry out its duties or compromise its standing in the community and its reputation for integrity, fairness, honesty, and independence.

### **2. Conflict of interest**

In the performance of their duties, MOC members shall avoid any situation that may give rise to a conflict of interest. No conflict of interest, real or otherwise, may exist between a member's official responsibilities and any kind of personal or external interests which could jeopardise his or her impartiality, judgment, and integrity in performing his or her responsibilities.

MOC members may not undertake remunerated activities outside the Bank, without the consent of the Chairman of the MOC and in accordance with the general rules and procedures of the Bank on extra-mural activities. Remunerated activities that have a bearing on macroprudential policy and financial stability matters must be avoided at all times.

### **3. Declaration of interests**

MOC members shall, upon appointment, make a full written disclosure to the Chairperson of the nature of their direct or indirect interests which may give rise to a conflict of interest. The matters to be covered by the members' statement shall include, but not be limited to, the disclosure of:

- I. any financial or business interest of the member and that of his or her immediate family members; and/or
- II. investments in companies, partnerships, or joint ventures.

An update of such a statement on an annual basis or whenever there is a change in interest shall be provided to the Chairman of the MOC.

#### **4. Immunity from personal liability**

The MOC Members shall not be personally liable for any loss or damage caused in respect of an act or omission done in good faith in performing a function or exercising a power under this committee unless it is established that the act or omission was committed in a grossly negligent manner or mala fide.

#### **5. Compliance**

Compliance with this Code of Conduct will be monitored by the Chairman of the MOC. Any violation of the provisions of the Code must be addressed in accordance with the disciplinary policy of the Bank.

For the duration of any investigation into any allegation of a contravention of this Code, the Chairman of the MOC reserves the right to suspend the member concerned from the MOC and the Bank in accordance with the Bank's policies. Any investigation into a suspected or possible contravention of this Code shall be kept confidential.

#### **6. Independence**

MOC members shall be independent from any political or any other influence in the performance of their duties. Members are therefore expected to declare their interest to the Chairperson/Deputy Chairperson of the MOC. The MOC members shall not act as delegates or representatives of any interest group, individuals, or industry in the discharge of their duties.

## **Annex 2: FSSC Code of Conduct**

### **1. Fundamental principles**

The Financial System Stability Committee (FSSC) was established to monitor risks affecting the financial system and provide advice and recommendations to the Bank in accordance with Chapter 6 (Section 32) of the Bank of Namibia Act, 2020 (Act No. 1 of 2020). This annex outlines the Code of Conduct for the FSSC regarding financial stability matters.

### **2. Conflict of interest**

In the performance of their duties, FSSC members shall avoid any situation that may give rise to a conflict of interest. No conflict of interest, real or otherwise, may exist between a member's official responsibilities and any kind of personal or external interest which could jeopardise his or her impartiality, judgment, and integrity in performing his or her responsibilities.

FSSC members must obtain permission from the Chairperson in the case of members nominated by the Bank of Namibia or the Deputy Chairperson in the case of members nominated by NAMFISA in order to partake in extramural remunerated work that may be in conflict with their responsibilities as members of the FSSC. In the case of a member nominated by the Minister of Finance, such permission shall be obtained from the Minister. The consent so granted shall be shared amongst the principals (i.e., the Minister of Finance, the Governor of the Bank of Namibia, and the CEO of NAMFISA).

### **3. Declaration of interests**

FSSC members shall, upon appointment, make a full written disclosure to the Chairperson and Deputy Chairperson of the nature of their direct or indirect interests which may give rise to a conflict of interest as a member of the FSSC. The matters to be covered by the members' statement shall include, but not be limited to, the disclosure of:

- I. any financial or business interest of the member and that of his or her immediate family members; and/or
- II. investments in companies, partnerships, or joint ventures.

#### **4. Immunity from personal liability**

The FSSC Members shall not be personally liable in performing a function or exercising a power under this committee for any loss or damage caused in respect of an act or omission done in good faith in the exercise of the power or the performance of the functions under this committee, unless it is established that the act or omission was committed in a grossly negligent manner or mala fide.

#### **5. Compliance**

Compliance with this Code of Conduct will be monitored by the Chairman of the FSSC. Any violation of the provisions of the Code must be addressed in accordance with the disciplinary policies of the Bank, NAMFISA, and the Ministry of Finance, where applicable.

For the duration of any investigation into any allegation of a contravention of this Code, the Chairman of the FSSC reserves the right to suspend the member concerned from the FSSC. Any investigation into a suspected or possible contravention of this Code shall be kept confidential.

#### **6. Independence**

FSSC members shall be independent from any political or any other influence in the performance of their duties. Members are therefore expected to declare their interest to the Chairperson/Deputy Chairperson of the FSSC.

The FSSC members shall not act as delegates or representatives of any interest groups, individuals or industry in the discharge of their duties.