GOVERNMENT GAZETTE

OF THE

REPUBLIC OF NAMIBIA

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General Notice

BANK OF NAMIBIA

No. 423 2026

DETERMINATION ON THE COUNTERCYCLICAL CAPITAL BUFFER:
BANKING INSTITUTIONS ACT, 2023 (ACT NO. 13 OF 2023)

In my capacity as Governor of the Bank of Namibia, and under the powers vested in the Bank in terms of section 108(3)(b) and (c) of the Banking Institutions Act, 2023 (Act No. 13 of 2023), I hereby issue the Determination on Countercyclical Capital Buffer (BID- 40).

EBSON UANGUTA
GOVERNOR

DETERMINATION NO. BID-40

DETERMINATION ON THE COUNTERCYCLICAL CAPITAL BUFFER (BID- 40)

PART I
PRELIMINARY

Paragraphs

PART I
PRELIMINARY MATTERS

1. Short Title – The Determination on CCyB.

2. Authorisation – Authority for the Bank to issue this Determination is provided in terms of section 108(3)(b) and (c) of the Banking Institutions Act, 2023 (Act No. 13 of 2023) read in conjunction with section 39 and 40 of the Act.

3. Application – This Determination applies to banking institutions classified as Domestic Systemically Important Banking institutions (DSIBs) authorised by the Bank to conduct banking business in Namibia.

4. Definitions –Terms used in this Determination are as defined in the Act, as defined below, or as reasonably implied by the contextual usage:

    4.1 “Act” means the Banking Institutions Act, 2023 (Act No. 13 of 2023);

    4.2 “Bank” means as defined in the Bank of Namibia Act, 2020 (Act No. 1 of 2020);

4.3 "BID-5A" means the Determination on the Measurement and Calculation of Capital Charges for Credit Risk, Operational Risk and Market Risk for Domestic Systemically Important Banks;

4.4 "Countercyclical means" a time varying capital buffer designers tp protect the banking sector against periods of excess aggregation credit growth associated with the build up of systemwide rise;

4.5 "Credit-to-GDP" means a ratio that measures the amount of private sector credit extended by a banking institution in relation to the Gross Domestic Product of a country;

4.6 "Credit-to-GDP gap" means the difference between the credit-to-GDP ratio and its long-run trend;

4.7 "DSIBs" means banking institutions authorised to conduct banking business in Namibia that are designated by the Bank of Namibia as Domestic Systemically Important Banking Institution; and

4.8 "System-wide risk" means the possibility of a major disruption in the financial system that has widespread, severe effects on the entire economy, as a result of a failure or distress of one banking institution, market, or sector which can trigger a chain reaction, leading to broader financial instability or collapse.

PART II
STATEMENT OF POLICY

5. **Purpose -** The CCyB aims to ensure that the banking sector's capital composition take into account the macroeconomic environment in which banking institutions operate. The primary objective is thus to enhance the resilience of the banking sector and improve capacity to absorb systemic risks associated with a financial cycle.

6. **Scope** - This Determination applies to banking institutions classified as DSIBs.

7. **Responsibilities -** The board of directors must ensure that appropriate policies, systems, and controls are in place to monitor the banking institution's capital position relative to the applicable CCyB rate and to respond effectively to changes in macroprudential requirements as determined by the Bank.

PART III
IMPLEMENTATION AND SPECIFIC REQUIREMENTS

8. **CCyB framework**

8.1 The CCyB is an additional capital requirement that a banking institution must maintain alongside the existing minimum capital requirements as set out in BID-5A.

8.2 The CCyB is a macroprudential policy tool intended to strengthen the resilience of the banking sector during periods of excessive credit growth and economic downturns, which are often associated with the build-up of systemic risk.

8.3 Credit growth is deemed excessive when it significantly exceeds its long-term trend, as measured by the credit-to-GDP gap. Conversely, during periods of economic downturn or financial stress, the Bank may reduce the CCyB in order to support the maintenance of credit extension to the real economy and to enable banking institutions to absorb losses thereby promoting financial stability.

8.4 The primary objectives of the CCyB are:

8.4.1 to mitigate systemic risks arising from excessive credit expansion during economic booms; and

8.4.2 to ensure that credit remains available to the real economy during stressful economic conditions, thus reducing the impact of economic stress on the real economy.

8.5 The CCyB may range between 0 and 2.5 percent.

8.6 On the date of this Determination coming into force, the CCyB rate shall be set at zero.

8.7 Subject to this Determination, the Bank may maintain a positive neutral CCyB rate during periods of positive financial cycles.

8.8 Subject to sub-paragraph 8.7, in response to sudden macro-financial shocks, the Bank may release in whole or in part the neutral CCyB rate in support of financial stability and the flow of credit.

8.9 The Bank may, if it considers it necessary, impose a higher CCyB rate during any financial cycle taking into account prevailing macroeconomic conditions and systemic risk.

9. Composition of the CCyB

9.1 A banking institution must calculate its CCyB requirement based on the applicable CCyB rate set by the Bank, together with the banking institution's minimum capital requirements set out in BID-SA.

9.2 A banking institution must calculate the CCyB using this formula:

CCyB = aggregate risk weighted assets x applicable CCyB rate

9.3 The CCyB must be fully composed of Common Equity Tier 1 capital.

10. Adjustment of the CCyB rate

10.1 **Decision to adjust the CCyB rate**

10.1.1 Where the Bank identifies a material system-wide risk as a result of excessive credit growth or changes in other macro-financial indicators, the Bank may adjust the CCyB rate.

10.1.2 Subject to this Determination, a decision to change the CCyB rate must be communicated through a directive issued by the Bank.

10.1.3 In the event that the Bank adjusts the CCyB rate, banking institutions must be granted a period of 12 months to comply with the new directive. If the effective date for compliance is less than 12 months, the Bank must explain in the directive the reasons for the shorter compliance period.

10.2 **Periodic review**

10.2.1 The Bank must on an ongoing basis review the CCyB rate to determine its continued suitability, considering prevailing macroeconomic conditions, the level of systemic risk, and developments within the banking sector.

PART IV
ANCILLARY MATTERS

11. Reporting requirements

11.1 A banking institution must, at the end of each calendar quarter, submit to the Bank a reporting return on capital issued in terms of BID-5A.

12. Remedial action

12.1 If a banking institution fails to comply with this Determination, the Bank may pursue any remedial measures as provided under the Act.

13. Effective date

13.1 This Determination comes into effect on the date of publication in the Government Gazette.

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