GOVERNMENT GAZETTE

OF THE

REPUBLIC OF NAMIBIA

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General Notices

BANK OF NAMIBIA

No. 89 1999

DETERMINATIONS UNDER THE BANKING INSTITUTIONS ACT, 1998
(ACT NO. 2 OF 1998)

In my capacity as Governor of the Bank of Namibia (The Bank), and under the powers vested in the Bank by virtue of section 71(3)(b) of the Banking Institutions Act, 1998 (Act No. 2 of 1998), I hereby issue the Determinations on Minimum Insurance for Banking Institutions (BID - 14) which Determinations shall become effective on 1 June 1999.

T.K. ALWEENDO
GOVERNOR

Windhoek, 24 March 1999

BID -14

DETERMINATIONS ON MINIMUM INSURANCE FOR BANKING INSTITUTIONS

Overview

In terms of the provisions of section 63 of the Act, banking institutions are required to:

- contract an insurance policy with an insurer to insure itself against any loss which the banking institution or any of its customers may suffer as a result

of the negligence, dishonesty or fraud of any of the officers of the banking institution; or

- subject to the approval of the Bank maintain a special reserve account exclusively for the purpose of compensating any person in respect of any loss suffered by the person as a result of the negligence, dishonesty or fraud of any of the officers of the banking institution.

These Determinations provide the basis for calculating the minimum insurance cover or the minimum balance of the special reserve account, which every banking institution must at all times maintain.

1. Calculation of Minimum Insurance

Every banking institution shall, as a minimum requirement:

- contract an insurance policy which provides cover; or
- subject to the prior approval of the Bank, maintain a balance in a special reserve account

for an amount equal to 0.5 per cent of the total assets as per the latest audited balance sheet return (BIR 100 and BIR 110), excluding fixed assets.

2. Reporting

Every banking institution shall annually within 21 days of the end of the calender year furnish the Bank with proof of compliance with the provisions of these Determinations.

3. General

The attention of every banking institution is drawn to the provisions of section 63 of the Act which stipulates that the insurance provider and the insured amount as well as the maintenance of the special reserve account, must be approved by the Bank.

BANK OF NAMIBIA

No. 90 1999

DETERMINATIONS UNDER THE BANKING INSTITUTIONS ACT, 1998
(ACT NO 2 OF 1998)

In my capacity as Governor of the Bank of Namibia (The Bank), and under the powers vested in the Bank by virtue of section 71(3) of the Banking Institutions Act, 1998 (Act No. 2 of 1998), read in conjunction with section 31 of the aforementioned Act, I hereby issue the Determinations on Minimum Liquid Assets (BID-6), which Determinations shall become effective on 1 May 1999. These determinations shall supersede the Determinations on Minimum Liquid Assets (BID-6) published, as general notice No. 124, in the Government Gazette No. 1899 of 29 June 1998.

T.K. ALWEENDO
GOVERNOR

Windhoek, 30 April 1999

BID-6

DETERMINATIONS ON MINIMUM LIQUID ASSETS REQUIREMENT

Overview

Liquidity is generally evaluated on the basis of a banking institution's capacity to promptly

meet the demand for payment of its obligations and to readily fulfil the reasonable credit needs emanating from the community it serves. This implies that banking institutions should, on a daily basis, have committed funds to meet these obligations, have a stock of sufficient assets that can be liquidated at no or minimal cost to meet these obligations and have adequate contingency plans to meet extraordinary demands or circumstances.

Inadequate liquidity can lead to unexpected cash shortfalls that have to be covered at inordinate costs. If deposit withdrawals for example, exceed the banking institution's ability to obtain those funds except at a considerably higher-than-normal cost, this not only results in reduction in profitability but may also lead to a solvent banking institution becoming insolvent. Conversely, excessive liquidity can lead to low asset yields and contribute to weaker earnings performance.

The liquid assets requirement is an integral component of the prudential management of a banking institution. These Determinations lay down the minimum requirements on liquid assets to ensure that banking institutions maintain a given level of liquidity to meet anticipated and contingent cash needs. Banking institutions, however, are encouraged to assess their individual liquidity risk profile and where deemed necessary, maintain liquid assets holdings in excess of the minimum statutory requirement.

1. Liquidity Management

All banking institutions must, as a minimum requirement, have written policies on liquidity management which ensure daily compliance with the statutory liquid assets requirement. These policies, including procedures, should address the cash flow management of the banking institution to ensure the short-term matching of out-going commitments and inflow of funds, management of marketable assets to ensure adequate stock of liquid assets and the borrowing capacity of the banking institution to ensure its ability to borrow market funds at short notice.

2. Minimum Liquid Assets Requirement

2.1 A banking institution shall hold an average daily amount of liquid assets in Namibia which shall not be less than an amount equal to **10** per cent of the average daily amount of its total liabilities to the public for the preceding month as shown in the latest monthly return as per **Annexure A** furnished to the Bank in accordance with paragraph 3 of these Determinations: Provided that the minimum amount of liquid assets held on any day during the period specified in paragraph 4 below shall not be less than an amount equal to **75** per cent of the average daily amount of liquid assets required to be held by the banking institution in terms of these Determinations.

2.2 No foreign currency assets shall qualify as liquid assets.

3. Reporting

3.1 A banking institution shall furnish to the Bank, on or before the 21st day of each calender month, the return referred to in paragraph 2.1 which shall be certified as correct by the Principal Officer and Chief Accounting Officer of the banking institution in Namibia containing the information required by the Bank so as to enable it to establish whether the institution maintains the liquid assets required under paragraph 2 above.

EXAMPLE: The liquidity compliance for the month of July 1998 which covers the compliance period of 15th of July to 14th of August 1998 must be reported by not later than the 21st of August 1998, based on the following:-

- Average daily liquid assets holdings over the period 15th of July 1998 to 14th of August 1998.
- Average daily total liabilities to the public as computed over the month of June 1998.

(f) Stocks, securities, bills and bonds of the Government of Namibia;

(g) Any other securities, bonds and bills fully guaranteed by the Government of Namibia, which form part of the public issue; and

(h) Net amount of loans and deposits, repayable on demand, with Namibian banking institutions or building societies other than a subsidiary or fellow subsidiary of the banking institution or building society concerned or of a banking institution or building society by which the banking institution or building society concerned is controlled directly or indirectly.

7.2 For calculation of liquid assets for the purposes of liquid assets requirement in terms of these Determinations, all reciprocal deposits with other banking institutions or building societies shall be netted out.

ANNEXURE A
BID -6

MINIMUM LIQUID ASSETS
(Confidential and not available for inspection by the public)

Name of institution .....

For the month of .....
(Covering the compliance period commencing the 15th of the abovementioned month up to the 14th of the following month)

	Line No.	Amount (N$' 000)
		1
Average total deposits (incl. NCDs issued)*	1	
Average amount of loans and advances received	2	
Average amount of other liabilities to the public (Excl. capital)	3	
Average total liabilities to the public (totals of line item 1-3)**	4	
Liquid assets required to be held over the compliance period at 10% of line item 4, column 1	5	
Average daily amount of liquid assets held over the compliance period (totals of line items 7-14)	6	
Notes and coins which are legal tender in Namibia, gold coin and bullion	7	
Clearing account balances held with Bank of Namibia	8	
Call account balances held with Bank of Namibia	9	
Securities of the Bank of Namibia	10	
Treasury Bills of the Government of Namibia	11	
Stocks, securities, bills and bonds of the Government of Namibia	12	
Any other securities, bonds and bills fully guaranteed by the Government of Namibia, which form part of the public issue	13	
Net amount of loans and deposit, repayable on demand, with Namibian banking institutions or building societies other than a subsidiary or fellow subsidiary of the banking institution or building society concerned or of a banking institution or building society by which the banking institution or building society concerned is controlled directly or indirectly	14	
Excess/deficiency (line item 6 above less line item 5)	15	

* *Investments in NCDs and interbank term deposits/loans should be set-off against total deposits.*

** *For line items 1 to 4, data is based on the preceding calendar month*

.....
Principal Officer

.....
Date

.....
Chief Accounting Officer

.....
Date

3.2 Notwithstanding this requirement, banking institutions must report to the Bank immediately, in accordance with the provisions of section 31(2) of the Banking Institutions Act, in the event that their liquid assets holdings, on any day, falls short of the legal requirement. The banking institutions are required to state the reason(s) for such failure and to indicate how and when the failure is to be rectified. In addition, the banking institutions are required to explain the steps to be taken to ensure such failure will not occur again.

4. Period of Maintenance of Minimum Required Amounts

A banking institution shall maintain the minimum amounts contemplated in paragraph 2 of these Determinations during the compliance period, that is, from the fifteenth day of the month to which a particular return relates, up to and including the fourteenth day of the following month.

5. Average Daily Amount of Total Liabilities to the Public

5.1 For the purposes of these Determinations, average daily amount of total liabilities to the public shall be determined by aggregating the total liabilities of all the days in a given month divided by the number of the days of the same month. In determining the average as described above, the total liabilities as at the end of the previous working day shall be used for liabilities on Sundays and Public Holidays. Total liabilities (incl. foreign liabilities) mean deposits (net of investment in negotiable certificate of deposits and interbank term deposits/loans[1]), loans and advances received and other liabilities to the public; but shall exclude capital funds.

5.2 Liabilities under acceptances shall be excluded.

6. Assets Pledged or Otherwise Encumbered

6.1 Unless specifically or generally approved by the Bank in writing, no liquid assets used for the fulfilment of the requirements of paragraph 2 of these Determinations shall be pledged or otherwise encumbered.

6.2 Securities lodged with the Bank to secure facilities shall not be regarded as pledged except to the extent that they are required to secure facilities actually utilised.

7. Composition of Liquid assets

7.1 For the purposes of these Determinations, liquid assets comprise:-

(a) Notes and coins which are legal tender in Namibia, gold coin and bullion;

(b) Clearing account balances held with Bank of Namibia;

(c) Call account balances held with Bank of Namibia;

(d) Securities of the Bank of Namibia;

(e) Treasury Bills of the Government of Namibia;

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1 Whilst net interbank deposits repayable on demand are accorded liquid asset status, net interbank deposits of a term nature are not. However, these term deposits are allowed to be netted off against the total liability base.