



Remarks

By:

Mr. Ebson Uanguta, Chairperson of the NDGA Board and Deputy Governor of the Bank of Namibia

On the occasion of the Launch of the Namibia Deposit Guarantee Authority 2021 Annual Report

Bank of Namibia

71, Robert Mugabe Street, WINDHOEK

Thursday, 21 April 2022

Director of Ceremonies,

Honourable Natangwe Ithete, Chairperson of National Assembly Standing Committee
on Economics & Public Administration

Honourable Peter Kazongominja, Chairperson of National Council Standing Committee
on Public Accounts & Economy

Ms Leoni Dunn, Deputy Governor of the Bank of Namibia

Board of Directors of the Namibia Deposit Guarantee Authorities

Ms Florette Nakusera, Head of the NDGA

Distinguished Managing Directors of the Commercial Banks

Members of the Media

Invited Guests

Good Morning

1. It is a great honour to join you this morning, as we mark the official launch of the Namibia Deposit Guarantee Authority's 2021 Annual Report.
2. The establishment of the Namibia Deposit Guarantee Authority two years ago, remains a significant milestone in our effort to modernise our financial system through the provision of the necessary safety nets. Through the establishment of this institution Namibia took a big step in the protection depositors, particularly small depositors and safeguarding financial stability.
3. Deposit Insurance Schemes have been introduced to deal with the failures of deposit-taking institutions even in the advanced economies such as the US, Germany and the UK, with the most advanced and sophisticated regulatory capabilities. In the aftermath of the last global financial crisis, policymakers worked closely to address a number of shortcomings head on with a wide range of initiatives. These fault lines included insufficient measures to curb excessive

leverage, ensure robust levels of high-quality capital and liquidity, and mitigate the risks associated with too-big-to-fail financial institutions. It was thus around this time that a significant number of Deposit Insurance Schemes were established globally. In recent years, the Basel Committee on Banking Supervision revamped its regulatory framework to enhance the resilience of banks and to reduce the likelihood and magnitude of future banking crises.

4. I want to make a point here that, an establishment of a Deposit Insurance Scheme should go hand-in-hand with a strong and effective regulatory framework. The exchange of information between the regulators and the Deposit Insurers is a pre-request for a stable financial system. In that regard, as a Regulator of Banking Institutions, the Bank of Namibia will continue implementing its regulatory framework to ensure that banking institutions are well supervised. Furthermore, through the Service Level Agreement between the two institutions, the Bank and the Authority should continue to collaborate in their joint effort of safeguarding the stability of our financial system.

5. This morning I want to reiterate three benefits that institutions such the Namibia Deposit Guarantee Authority provide:

(a) Depositor's compensation and effective crisis management.

6. The failure of any deposit-taking institution can have far-reaching and devastating impact to the depositors, particularly small depositors. Before the introduction of Deposit Insurance Schemes, when a deposit taking institution goes under, it takes its customers' hard-earned savings with it. Depositors, particularly small depositors are vulnerable to information asymmetries, unlikely to have knowledge and resources necessary to accurately assess the safety of their funds. It is for this reason that the primary mandate of the NDGA is to ensure that in an unlikely event of bank failure, small depositors are compensated of their deposits in a timely and

transparent manner. This orderly compensation and crisis management therefore eliminates unnecessary panic and avoid bank runs.

(b) Safeguarding financial stability

7. The stability of any financial system is crucial for economic growth and development. Through financial intermediation, banking institutions play an important role in mobilizing savings and channelling them into the real economy which can bring about economic benefits such as wealth and employment creation. If not handled properly, banking institutions' failures can have negative consequences such as destruction of value, disruption in the provision of services and other spill-overs to the rest of financial system. Despite the different deposit insurance models and designs adopted globally, it is now well understood that Deposit Insurance Schemes provide depositors with clarity, reassurance and confidence and thereby safeguarding financial stability. A speedy and transparent compensation of Depositors, or transfer of the insured deposit book to another bank helps avoid a singular institutional failure culminating into a systemic crisis.

(c) Ensuring public trust and enhancing Inclusion

8. It is important that the vital trust in the financial system by depositors is maintained at all times. Studies have shown that consumers are likely to participate in the system where they know that they are protected from abuse and there are effective safety nets in place. This in the end leads to Financial Inclusion. Depositors should, at all times, have trust and confidence that their hard-earned savings placed with financial institutions are safe and secured and that they can access such funds whenever they want to. The Namibia Deposit Guarantee Authority provides that assurance to depositors, that even in the event a crisis such as bank failure, they will be compensated of their deposits in a timely and transparent manner.

9. As I conclude I want to commend the dedicated team that continues to ensure a smooth operation of this great institution. I also want to congratulate the NDGA Management and staff on the publication of this second Annual Report, which was delivered to the Minister of Finance on the 31 March 2022 in line with the provision of the governing Act. There are many examples, locally and globally, of public institutions that have existed for years but are unable to produce these types of annual accounts. I further want to thank the Board of Directors for their stewardship and for ensuring a strong foundation for this institution guided by the principles of good governance. As Chairperson of the Board, I remain optimistic, with profound confidence in the Staff, Management and Board of the Authority, that guided by the values such as integrity, accountability, transparency and professionalism this institution will continue to grow from strength to strength.
10. With this, Ladies and Gentlemen, I hereby declare that the Namibia Deposit Guarantee Authority 2021 Annual Report is officially launched.

I thank you.