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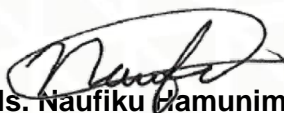
TRANSFORMATION IN THE FINANCIAL SECTOR AS MICROFINANCE BANKING INSTITUTIONS (OR SECOND TIER BANKS) GET A NEW LEGAL FRAMEWORK

1. For the first time, the Bank of Namibia has issued clear regulatory guidance for potential investors looking to establish microfinance banking institutions or second-tier banks. This development will promote the growth of these institutions, which play a crucial role in advancing financial inclusion and increasing access to banking services nationwide. These efforts are part of the broader transformation and modernisation of the financial sector aimed at enhancing competition within the industry and promoting access to a wide range of services to Namibia's unbanked and underbanked citizens.
2. The Determination on Microfinance Banking Institutions (BID-38), enacted under the Banking Institutions Act, 2023 (Act No. 13 of 2023), has established a comprehensive regulatory framework to ensure the prudent operation and stability of microfinance banking institutions in Namibia. The purpose and scope of the Determination are centred on defining clear regulatory requirements for microfinance banking institutions. These requirements ensure that these institutions conduct their business operations diligently and implement effective risk management practices. This approach is essential in maintaining the integrity and trust in the microfinance sector, which is pivotal in providing financial services to underserved communities.
3. One of the significant aspects of BID-38 is the distinction it makes between two types of microfinance banking institutions. The first type, **Nationwide Microfinance Banking Institutions**, can operate with unlimited branches throughout Namibia. These institutions are subject to a higher minimum capital requirement to ensure they have sufficient financial strength to support their extensive operations. The second type, the **Branch of a Microfinance Banking**

Institution, is limited to operating a single branch and is subject to a lower minimum capital requirement. This distinction ensures that institutions of varying scales are regulated appropriately according to their operational capacities.

4. Consumer protection and fair treatment are emphasised throughout BID-38. The Determination underscores the importance of protecting consumers by ensuring that microfinance banking institutions treat their customers fairly in all dealings. This focus on consumer protection is integral to building and maintaining public trust in the microfinance sector, which is crucial for its long-term sustainability and success.
5. Furthermore, BID-38 includes provisions for corrective measures to address non-compliance. These provisions ensure that the Bank of Namibia can take timely and appropriate action to rectify issues and enforce adherence to the regulatory framework. This proactive approach is vital in maintaining the health and integrity of the microfinance sector.
6. The Governor of the Bank of Namibia, Mr. Johannes !Gawaxab stated: “This determination represents a significant step toward improving the regulatory framework for microfinance institutions. It aims to create an environment that drives economic growth at the macro level and empowers traditionally underserved communities by providing them with the conditions necessary to thrive. By lowering barriers to entry, microfinance institutions can offer these groups access to various services—such as credit, savings, and financial literacy training – thus integrating more Namibians into the mainstream economy. This effort is a meaningful contribution to the economic empowerment of individuals and small enterprises.”
7. The Bank of Namibia remains committed to promoting financial stability, protecting consumers, and supporting the transformation of the Namibian financial sector.

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