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FOR IMMEDIATE RELEASE

POLICY AND REGULATORY CHANGES BY THE BANK OF NAMIBIA IN RESPONSE TO THE IMPACT BY COVID-19 ON THE BANKING INDUSTRY

1. The Bank of Namibia (“the Bank”) has as one of its objectives to promote and maintain a sound monetary, credit and financial system in Namibia and sustain the liquidity, solvency and functioning of the financial system. The banking sector remains financially sound and healthy with good liquidity and capital levels to support the economy.
2. The outbreak of the COVID-19 pandemic has had a major impact on the global economy resulting in a slowdown in economic activity worldwide and major disruptions in global supply chains. The Bank, in line with its mandate, has been closely monitoring the impact of COVID-19 outbreak on the banking sector and the Namibian economy.
3. Furthermore, the Bank was tasked by Cabinet to assess the impact of the pandemic on the local economy and make appropriate recommendations to cushion the effects of the outbreak. In this regard, the set of recommendations being announced today by the Bank are part of the overall strategies being proposed and implemented nationally by relevant authorities to mitigate the impact of the pandemic.
4. As part of its intervention strategies, the Bank held extensive dialogue with the Bankers’ Association of Namibia with the primary objective to assist various players in the economy such as corporates and small and medium enterprises (SMEs) to alleviate cash-flow problems currently being experienced and ensure business continuity and safeguard jobs.
5. The Bank is, therefore, introducing the following regulatory and policy relief measures to directly support individuals, small and medium-sized enterprises (SMEs) and corporations to manage the impact of the recent drought and the Covid-19 outbreak through the banking system:

5.1. Loan payment moratorium

In respect to customers of banking institutions, banks can grant loan payment moratorium or so-called payment holidays whereby the holiday in respect of loan payment (which include principal and interest) is allowed for a period ranging from six (6) months up to 24 months (two years) based on a thorough assessment of economic and financial difficulties experienced by individual borrowers. Banking institutions should apply such holidays in a transparent, fair and equitable manner.

6. To assist banking institutions to institute adequate support measures to individuals, small and medium-sized enterprises (SMEs) and corporations, the Bank has decided on the following regulatory and policy relief measures:

6.2. Liquidity relief measures:

The Bank has decided to relax the Determination on Liquidity Risk Management whereby banking institutions are required to ensure that their cash inflows match the cash outflows expected within the 0-7 days. The limit has been relaxed such that the expected outflows may exceed the inflows, but not more than the excess liquidity above their regulatory limit.

6.3. Capital conservation buffer:

The Bank has reduced the capital conservation buffer rate to 0 percent for at least 24 months to support banking institutions to supply credit to the economy. The capital conservation buffer will enable banking institutions to use the capital they have built up during good times, to use during times of distress. The release of the buffer is to allow banking institutions to boost an already distressing economy by lending to the most vulnerable economic sectors.

6.4. Concentration risk limit / single borrower limit:

The Bank postponed the effective date of implementation of the 25 percent single borrower limit and concentration risk limit to allow banking institutions a wider scope to lend to vulnerable sectors of the economy.

7. The measures, as outlined above, will enable banking institutions to play their role in supporting the economy during these challenging circumstances by providing flexibility for banking institutions to respond swiftly to the needs of their customers. However, in implementing these measures, banking institutions should act in the national interest and be guided by their internal policies and processes.
8. The Bank will continue to closely monitor developments and response of banking institutions to these measures in order to ensure and maintain a sound monetary and financial system in Namibia amid economic challenges posed by COVID-19 outbreak.

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