

*Government Notice No. III of 2011***BANK OF BOTSWANA ACT
(Cap. 55:01)****Prescription of Notice Period and Early Settlement Penalties for Term
Loans and Similar Credit Facilities**

IN PURSUANCE of the powers given under section 41 (1) of the Bank of Botswana Act, notice is hereby given that the Bank of Botswana, with the approval of the Minister of Finance and Development Planning, has prescribed the following requirements in respect of —

EARLY SETTLEMENT NOTICE PERIOD

1. A bank shall not impose a penalty for early settlement of a term loan and/or other similar time-based credit facility where the customer has given notice, in writing, of at least 45 calendar days.
2. An early repayment penalty shall not be levied for any short-term credit facility, of not more than one year or the remaining maturity period of less than 12 months.

EARLY SETTLEMENT PENALTY

3. Where a customer elects not to give notice of 45 days or such other shorter period as may be required by the lending bank, the bank may impose a maximum of 30 days interest on the outstanding balance, provided that where the notice period is less than the required period, the maximum penalty payable shall be on a pro rata basis.

APPLICATION TO EXISTING TERM LOANS/CREDIT FACILITIES

4. Notwithstanding any provisions in existing loan agreements to the contrary, the requirements relating to notice period and maximum penalty for early settlement of a loan, as set out in this Notice, shall apply to such credit facility.

GENERAL PROVISIONS

5. For purposes of this Notice, the term bank refers to —
 - (a) Licensed banks under the Banking Act (Cap. 46:04);
 - (b) Other financial institutions supervised by the Bank in accordance with section 53 of the Banking Act; and
 - (c) National Development Bank established under the National Development Bank Act (Cap. 74:05).
6. Every bank shall disclose to customers the prescription of this Notice as part of the contract terms in the loan agreement.
7. Every bank shall take a number of complementary measures aimed at promoting public awareness about penalties levied on early settlement of credit facilities, in addition to fulfilling minimum public disclosure requirements and statutory reporting arrangements that are prescribed by the Bank from time to time.
8. Every bank shall comply fully with the minimum disclosure requirements set out in the Disclosure of Bank Charges Notice: G.N. No. 41 of 2001.
9. Any dispute on the interpretation and application of this Notice shall be referred to the Bank of Botswana.
10. Failure by any bank to comply with the provisions of this Notice shall constitute an offence under section 41 (5) and (6) of the Bank of Botswana Act.

EFFECTIVE DATE OF IMPLEMENTATION

11. The provisions of this Notice shall come into force on 1st April, 2011.

MADE this 25th day of February, 2011.

LINAH K. MOHOHLO,
Governor of the Bank of Botswana.

APPROVED this 28th day of February, 2011.

O.K. MATAMBO,
*Minister of Finance and Development
Planning.*