

# CENTRAL BANK OF LESOTHO

## PRESS RELEASE

### **COURT INTERDICT AND RESTRAINT ON THE NORMAL BUSINESS OPERATIONS OF MKM/STAR LION GROUP AND MILLENNIUM GOAL SOCIETY**

Today Tuesday 27 November 2007, the Central Bank of Lesotho made an application to the High Court of Lesotho seeking a declaratory order to be made to the effect that MKM/Star Lion and Millennium Goal Society are conducting banking and insurance business in contravention of the Financial Institutions Act 1999 and Insurance Act 1976 respectively.

Pending the outcome of this application, the High Court of Lesotho granted an order in favour of the Bank restraining and interdicting both MKM/Star and Millennium Goal Society from, in any way:

- (i) continuing with the business operations normally conducted by them;
- (ii) managing or dealing with, or otherwise having anything to do with the cash or other assets, fixed or movable, including money in bank accounts in which both MKM/Star Lion and Millennium Goal Society have an interest.

The High Court also conferred on the Bank the following powers:

- (i) Powers to search for and seize and take immediate control of all money and other assets of these entities and transfer same to the custody and control of the Bank with the assistance of PriceWaterHouseCoopers (PWC);
- (ii) Powers to freeze assets, including money in the bank accounts in the names of or under the control of these entities, whether directly or indirectly;
- (iii) Powers to investigate the activities of these entities including investments placed by the public with these entities and what became of them, with the assistance of PWC;

Attendant to these powers, the Bank shall have the right to examine documents, enter premises and seize documents, interview employees of these entities as well as interview persons who invested money or assets with these entities.

The High Court gave the Bank 90 days from today to report back to the Court concerning everything it has done pursuant to this order and to seek further direction from the Court.

The decision of the Bank to take these steps comes within the background of long drawn out dealings with, particularly MKM/Star Lion Group regarding compliance with the Financial Institutions Act 1999 and Insurance Act 1976. It has been the view of the Bank that the activities of these entities pose a systemic threat to the Country's financial Sector and recently it was established that MKM/Star Lion Group was experiencing liquidity problems and thus unable to pay outstanding claims on time. Prompt action was therefore necessary to ensure protection of public funds and to forestall further losses which had already begun.

The Government of Lesotho and the Bank do however recognise the social importance of the funeral services rendered by MKM/Star Lion Group to the nation. Government and the Bank have therefore decided that the funeral services should continue even under the judicial management. The Bank will also be responsible for the administration of this activity, with the assistance of PWC.