



PRESS STATEMENT

FINANCIAL INSTITUTIONS (BANKS) (PRICING) DIRECTIVES – APRIL 2022

1. Members of the public are informed that the Central Bank of Lesotho (CBL) as the Commissioner of Financial Institutions has issued the Pricing Directives for banks operating in Lesotho, pursuant to Section 71 of the Financial Institutions Act, 2012 which shall be implemented from 01st April 2022. The directives follow an in-depth research work and benchmarking exercise by the Central Bank of Lesotho. That was followed by consultations with the commercial banks.
2. The directives are intended to achieve three things:
 - a) **inclusivity** – financial inclusion is a national policy objective
 - b) **enhanced intermediation** – our intermediation metrics fall way short of our CMA counterparts and there are no convincing reasons why that is the case.
 - c) **competitive pricing of banking products and services** – our banking system is characterized by significant market power and that has been reflected by product pricing.

2.1. DIRECTIVE ON LOW-INCOME SAVING/BOTHEBELELE ACCOUNT

This account is a transactional account that should be made available to members of the public earning a monthly income of Three Thousand Maloti (M3,000.00) and below. The Commissioner guides that the level of income can be verified by payslips or other verifiable sources of income. In addition, respective banks are directed to put in controls that monitor transactions and therefore effectively assist to determine levels of income of account holders. The Commissioner directs that the account shall be governed by the following fee structure:

- a. There shall be no charges or fees for opening the account.
- b. There shall be no charges or fees for the first card issuance of this account.

- c. There shall be no management fees charged for this account.
- d. A customer shall not be required to hold a positive minimum balance in the account.
- e. There shall be no charges for deposits made into this account through Automated Teller Machines (ATMs).
- f. One (1) withdrawal (from own ATM including cardless withdrawals) shall be free.
- g. There shall be no charges or fees for balance enquiries at ATMs (inclusive of mini statements), branches, mobile banking, and bank statements from internet banking.
- h. There shall be no charges or fees for one (1) Point of Sale (POS) purchase/swipe and at least three (3) cash-out payments per month.
- i. There shall be no charge or fees for dormant accounts for this account.
- j. The client risk profile rating assessment for KYC requirements shall be applied for this account.
- k. The bank shall promote this account in the same manner and rigor that it promotes other service offerings.
- l. The bank shall submit verifiable evidence of promotions of this account to the Commissioner by the last day of each quarter, starting from the second quarter of 2022.
- m. The bank shall enable the use of Unstructured Supplementary Service Data (USSD) for this account at no cost.

2.2. DIRECTIVE ON CASH DEPOSITS FEES & CHARGES

a. Personal Accounts

There shall be no charges or fees for cash deposits on personal accounts on ATMs. The free charges or fees shall be applicable to an amount up to a maximum of Three Thousand Maloti M3,000.00 per month.

b. Business Accounts

- i. There shall be one free cash deposit for all cash deposits valued at an amount equivalent to Twenty Thousand Maloti only (M20,000.00) per month into accounts of SMME businesses with an annual account transaction turnover of at most Two Hundred and Forty Thousand Maloti M240,000.00.

- ii. In the case where deposits are split into smaller values, a limit of three (3) free cash deposits whose sum per month is at most Twenty Thousand Maloti (M20,000.00) per business should be applied.
- iii. Any amount more than Twenty Thousand Maloti (M20,000.00) per month shall be processed at standard charges which shall not exceed 0.5 per cent of the deposited amount.

2.3. DIRECTIVE ON REAL TIME GROSS SETTLEMENT (RTGS) FEES AND CHARGES

The banks shall not charge for self-service domestic RTGS transactions an amount more than a flat rate of M20.00 regardless of the amount being processed.

2.4. DIRECTIVE ON PENALTY FEES

- a. The banks shall apply a charge or fee of an amount not exceeding Forty Maloti (M40) for dishonoured debit order transactions.
- b. The banks shall apply the following caps on early redemption fees on investment accounts:

Investment Amount	Maximum Charge
Less than M500	M50
Between M500 and M999.99	M100
Between M1,000 and M9,999.99	M250
Between M10,000 and M100,000	M750
Greater than M100,000	M1000

- c. The banks shall charge a fee of an amount not exceeding one (1) month interest for early settlement of a loan.

2.5. DIRECTIVE ON POINT OF SALE DEVICES

The banks shall charge a flat fee of Four Maloti (M4.00) for local Point of Sale (POS) transactions regardless of the amount of the transaction processed.

2.6. DIRECTIVE ON ELECTRONIC BANKING (INTERNET BANKING) AND PRINTED STATEMENTS

2.6.1. There shall be no charges or fees for:

- a. monthly subscription of mobile banking, App, and online banking,

- b. online statements,
 - c. an electronic account confirmation
 - d. e-mail statements
- 2.6.2. The banks shall not charge an amount more than M10 per page for Bank printed statements.
- 2.6.3. The banks shall not charge an amount more than M10 for confirmation of the banking details letter.

2.7. DIRECTIVE ON PRIME LENDING RATE

The prime lending rate shall be the CBL Rate plus no more than 350 basis points per annum.

2.8. DIRECTIVE ON DEPOSIT RATES

- a. The banks shall apply a rate of no less than 75% of the CBL Rate on fixed-term deposits of all tenors.
- b. The banks shall apply a rate of no less than 50% of the CBL Rate on-call deposits of all tenors.
- c. The banks shall apply a rate of no less than 30% of the CBL Rate on positive balances in the transactional accounts and savings accounts.

2.9. DIRECTIVE ON CREDIT

- 2.9.1. The banks shall not charge any other fees except for initiation (including but not limited to restructuring and redraw), and monthly administration fees for the provision of credit services and administration of loans.
- 2.9.2. The banks may charge any applicable third-party charges for the provision of credit services and administration of loans as prescribed in 9.1 above.
- 2.9.3. The charges referred to in 9.1 above shall be administered as follows:

a. Initiation fees

- i. Initiation fees for personal loans are set at 1 percent of the loan amount, and shall not exceed a maximum of Three Hundred Maloti (M300.00);

- ii. Initiation fees for Vehicle Assets Financing (VAF) are set at 1 percent of the loan amount, and shall not exceed a maximum of Four Thousand Maloti (M4,000.00);
- iii. Initiation fees for Property Finance are set at 1 percent of the loan amount, and shall not exceed Five Thousand Maloti (M5,000.00).

b. Monthly administration/management fees

The fees shall be capped at M50.00 regardless of the amount or type of the loan.

2.10. DIRECTIVE ON LOANS TO DEPOSIT RATIO

In an effort to improve access to credit, a bank is requested to extent at least 70 percent of their deposits to credit. This limit is expected to be fully attained by 31 December 2023.

2.11. DIRECTIVE ON DISCLOSURE IN RESPECT OF FEES AND CHARGES

- a. A bank shall disclose to its customers and the public the rate of all its fees and charges as specified in the Financial Institutions (Disclosure of Bank Charges and Interest Rates), Regulations 2016. **(NOTE: The 30 days' notice period for customers as specified by Regulation 5 is waived in respect of this directive)**
- b. A bank shall provide consumers with a short, account-specific, key facts statement (KFS) and/or loan account statement on a need basis.
- c. A bank shall include pricing information in all advertisements for savings and transaction accounts.
- d. A bank shall provide pricing documentation and KFSs in both English and Sesotho.
- e. A bank shall provide basic financial education to its clients and the general public.

2.12. DIRECTIVE ON EFFECTIVE DATE

- a. Unless stated otherwise in this Directive, all provisions of this Directive shall be effective and in operation from April 01, 2022.
- b. It shall subsist for a period of 24 months to March 31, 2024 at which it may be revised or upheld.

Lehlomela Mohapi
ACTING GOVERNOR

For Enquiries:

Ephraim Moremoholo

22232225/22232094/58880647

emoremoholo@centralbank.org.ls