



NATIONAL PAYMENT SWITCH SPEECHES FROM THE GOVERNOR OF THE CENTRAL BANK DR. M.E. LETETE AND FINTECH REPRESENTATIVE, MR L. POLILANE

Address by the Governor of the Central Bank of Lesotho, Dr. Emmanuel Maluke Letete on the Occasion of Official Launch of the National Payments Switch – Instant Payments Stream

Lehakoe Recreation And Cultural Center

20TH MARCH 2024

His Majesty King Letsie III

The Right Honourable the Prime Minister, Mr Samuel Ntsokoane Matekane

Honourable Minister of Finance and Development Planning, Dr Ret'selisitsoe Adelaide Matlanyane

Board of Directors of the Central Bank of Lesotho

Executive Management of the Bank

Representatives of the banks

Representatives of the Fintech Companies

Members of Press

All Other Stakeholders Who Contributed to the Realisation of this Momentous Event

Colleagues

Ladies and Gentlemen

Good Morning

OPENING REMARKS

1. I am truly honoured and delighted to stand before you today as we mark a significant milestone in Lesotho's financial landscape—the launch of the National Payment Switch, affectionately known as LeSwitch. This momentous occasion represents not only a triumph of innovation but also a testament to the collective vision and dedication of all stakeholders involved.
2. Allow me to begin by reaffirming the mandate of the Central Bank of Lesotho, which has been instrumental in shaping the trajectory of our nation's payment system. As the guardian of monetary stability and financial integrity, our Bank is entrusted with the crucial responsibility of fostering a robust and resilient financial ecosystem conducive to sustainable economic growth and prosperity.
3. Over the years, we have witnessed remarkable advancements in technology and changing consumer preferences, necessitating the modernization of our payment infrastructure. Recognizing the imperative to adapt and innovate, the Central Bank of Lesotho embarked on a journey to revitalize our national payment system, thereby enhancing efficiency, promoting financial inclusion, and fostering economic development.

Reflection on the Central Bank of Lesotho's journey ON MODERNISATION of payment systems

4. The Central Bank of Lesotho has taken a deliberate decision to modernise the country's payment system as far back as 2004. The process started with the development of a payment system roadmap. Some notable major initiatives from this roadmap include the implementation of the: Real Time Gross Settlement (RTGS) system in 2006; Central Depository System (CSD) in 2009; and Automated Clearing House (ACH) in 2015. More importantly, the Parliament of Lesotho enacted the Payment Systems Act in 2017 to complement the Central Bank of Lesotho Act of 2000 on the payment systems issues.
5. The National Payments Switch has been a missing piece in that payment system ecosystem. This undesirable situation has led to:
 - Indigenous banks and new entrants remain at a disadvantage and the playing field is not levelled.
 - Interoperability is not achieved for participants in the card stream.
 - Interoperability with other streams (ATM and e-Money) not achieved.
 - Lesotho remains subject to the South African card scheme rules.
 - Settlement of Lesotho domestic inter-bank obligations taking place in the South African settlement system.
 - Lesotho payment system not compliant with BIS payment system sovereignty guidelines or FATF recommendations
6. On the basis of the foregoing, the Bank in collaboration with key stakeholders made a bold decision in 2019 to implement the National Payments Switch. The National Payments Switch is a new feature in the payment system. It will offer an option to route transactions made with locally issued instruments to a central point (the switch), for settlement at the Central Bank, instead of being routed through the network of international or closed network schemes.
7. The decision to implement the National Payments Switch came at a time when mobile money was revolutionising the payment landscape in Lesotho and other parts of the world. Therefore, it was also deemed imperative to enable the interoperability of mobile as well. Given the rapid innovative developments and dynamism of ecosystem actors, in the mobile money space, today, we are marking the launch of the National Payments Switch on mobile money stream.

The launch of national payments switch - leswitch

8. Introduction of the National Payment Switch, LeSwitch, is a pivotal step towards realizing this vision of enhancing efficiency, promoting financial inclusion, and fostering economic development. LeSwitch serves as a cornerstone of our efforts to streamline payment processes, facilitate seamless transactions, and empower businesses and individuals with enhanced financial capabilities. By providing a centralized platform for electronic payments, LeSwitch will revolutionize the way we transact, ushering in a new era of convenience, speed, and security.
9. Furthermore, it is important to note that the rollout of LeSwitch will occur in phases, with the Instant Payments Stream being the first to be launched today. This phased approach allows for a structured and systematic implementation, ensuring a smooth transition and optimal user experience. I am pleased to announce that the next phase, the Card Stream, is currently under testing by the Central Bank and our esteemed banking partners, signalling our commitment to continuous innovation and advancement.
10. The instant payments stream is intended for:
 - **Enhanced Financial Inclusion:** the NPS will help bridge the gap between urban and rural areas, ensuring that all citizens, regardless of their location, can access financial services conveniently.
 - **Security and Risk Mitigation:** A centralized payment switch will strengthen security measures, reducing the risk of fraudulent transactions and cyberattacks. This will safeguard the interests of both financial institutions and the general public.
 - **Operational Efficiency:** By streamlining payment processes and reducing costs for financial institutions, the switch will lower transaction fees and promote faster processing times for consumers.

11. Ladies and gentlemen, the significance of LeSwitch extends far beyond mere technological innovation. It embodies our collective commitment to driving economic growth, fostering financial inclusion, and embracing the opportunities of the digital age. As we embark on this transformative journey, let us harness the power of collaboration, innovation, and resilience to build a future where every Basotho can participate fully in the financial ecosystem, unlocking their potential and contributing to the prosperity of our nation.

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12. In closing, I would like to express my heartfelt gratitude to all stakeholders including the banking industry, fintech firms, regulatory authorities, and our dedicated team at the Central Bank of Lesotho, whose unwavering commitment and tireless efforts have made this moment possible. Together, let us embrace the opportunities that lie ahead and chart a course towards a more prosperous and inclusive future for all.

I thank you, Ladies and Gentlemen!!!!

SPPECH BY FINTECH REPRESENTATIVE, MR L. POLILANE

Today marks a significant milestone in our journey towards financial empowerment and inclusion. We gather here to celebrate the launch of a ground-breaking technology platform that promises to revolutionise the landscape of financial services. This platform, introduced by the Central Bank of Lesotho, stands as a beacon of innovation and progress in our quest to achieve the United Nations Sustainable Development Goals (SDGs), particularly those addressing financial inclusion.

At the heart of our initiative lies a deep commitment to the principles of the SDGs, particularly

1. Goal 8: Decent Work and Economic Growth, and
2. Goal 10: Reduced Inequalities.

We recognise the transformative power of technology in bridging the gap between the haves and the have-nots, in ensuring that every individual, regardless of their socioeconomic status, has access to the financial tools and services they need to thrive.

The platform serves as a catalyst for change, a dynamic ecosystem where FinTechs and banks converge to create innovative solutions that empower individuals and businesses alike. By leveraging cutting-edge technology, we aim to break down barriers to financial access, opening doors to opportunities that were once out of reach.

The National Payment Switch, a centralised hub that streamlines transactions between various financial institutions, acts as a unifying force, enabling seamless interoperability between different payment systems and channels. Gone are the days of cumbersome processes and fragmented networks; with the NPS, transactions are executed swiftly and securely, enhancing efficiency and reliability across the board.

But the benefits of the NPS extend far beyond mere convenience. By fostering collaboration between FinTechs, we create an environment ripe for innovation and growth. New products and services emerge, tailored to the diverse needs of our users. From microfinance solutions for underserved communities to cutting-edge digital banking tools for tech-savvy millennials, the NPS will accommodate a wide range of financial needs and aspirations.

As we embark on this journey together, let us not forget the power we hold in our hands—the power to drive positive change, to build a future where financial inclusion is not just a lofty ideal, but a tangible reality for all. Let us seize this opportunity to harness the full potential of technology, to unlock new possibilities and pave the way for a brighter tomorrow.

In conclusion, I invite you to join us in embracing this new era of financial empowerment. Together, let us chart a course towards a more inclusive and equitable Lesotho, where every Mosotho has the opportunity to thrive and prosper. Thank you.