



CENTRAL BANK OF LESOTHO
BANKA E KHOLO EA LESOTHO

GOVERNORS OFFICE

CBL/fnc//GOV/8/G/REG

10th July, 2020

Mr. Papa Lamine Diop
The Executive Secretary
Association of African Central Banks
Avenue Abdoulaye FADIGA
BP 4128
DAKAR RP
Senegal

Dear Mr. Diop

**RE: CENTRAL BANKS POLICY MEASURES IN RESPONSE TO THE
COVID-19 PANDEMIC**

I refer to your letter on the above subject.

Attached please find the Central Bank of Lesotho policy measures implemented in response to the unfolding COVID-19.

Please accept Executive Secretary, the assurance of my highest consideration.

Yours sincerely,

A.R. Matlanyane (*Ph.D.*)
GOVERNOR

Policy Measures by CBL in Response to COVID-19

Interest Rates

- i. 25th March 2020, Reduced the CBL rate by 100 basis points from 6.25 per cent to 5.25 per cent per annum.
- ii. 14th April 2020, Reduced the CBL rate by 100 basis points from 5.25 per cent to 4.25 per cent per annum
- iii. 22nd May 2020, Reduced the CBL rate by 50 basis points from 4.25 percent to 3.75 per cent per annum

Liquidity Measures

- i. Postponed the implementation of Basel II.5 and the funds that were being set aside for capital conservation buffers in full compliance with the supervisory framework in 2021 can then be made available to advance credit and other customer needs that may arise.
- ii. Rate of the [overnight] liquidity facility made available by the Bank is reduced to a rate to be determined but lower than the current Lombard rate.
- iii. Should credit demand exceed the provisions of Section 28 (1) of the Financial Institutions Act (FIA) 2012 (on Large Exposure Limits), commercial banks should submit applications to the Commissioner for assessment and exemptions.

Relief for the Financial Consumers

- i. *Banking Sector*: Directed the commercial banks to grant payment holidays to clients/borrowers whose financial positions will be negatively affected, based on thorough assessment of the economic and financial condition of the individual borrower. All facilities should maintain the same classification and provisioning throughout the holiday period. The arrangements should avoid placing the borrower in a worse-off position at the end of the holiday period.
- ii. *Insurance Sector*: The insurance companies have been asked to consider implementing flexibility measures that are meant to reduce the burden on policyholders while maintaining the business for the insurers. They include,
 - Allow policyholders to re-negotiate their insurance contracts if they wish to change the terms of their insurance covers and policies as a result of the outbreak of COVID-19, without charges or penalties.
 - Allow policyholders to reinstate their insurance contracts for which they have not paid premiums for 3 months, without charges and penalties.
 - Continue to process and honor qualifying claims (claims of policies that would have qualified prior to the lockdown as a result of COVID-19 and that are in line with agreed contracts and terms) during the agreed period of the premium holiday.
 - Suspend dividend payouts for the 2019 financial year.
- iii. *Microfinance sector*: The micro-finance companies have been requested to implement the following measures (1) Waive fees and penalties for up to three months due to defaults or delayed repayments, (2) Provide repayment holidays on repayments for up to 3 months, only for Micro-Small and Medium Enterprises where such lending already exists, and to the general public whose incomes will be affected by the Covid-19 pandemic and (3) Restructure loans of clients in distress without penalties and fees during the three months of the Covid-19 pandemic.
- iv. *Mobile Money*: An agreement has been reached with the Mobile Network Operators to,
 - a) reduce mobile money fees for all transactions below M50.00,

- b) increase daily and monthly limits of certain groups of users, the regard being for control of the risks around AML/CFT.