



LESOTHO Government Gazette

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LEGAL NOTICE NO. 53 OF 2016

**Lesotho National Development Corporation Board of Directors
(Amendment) Notice, 2016**

Pursuant to section 8(3) (c) of the Lesotho National Development Corporation Act, 1990¹, I,

JOSHUA SETIPA

Minister responsible for trade and industry make the following notice:

Citation and commencement

1. This notice may be cited as the Lesotho National Development Corporation Board of Directors (Amendment) Notice, 2016, and shall come into operation on the date of publication in the Gazette.

Amendment

2. The Lesotho National Development Corporation Board of Directors Notice 2015² is amended in clause 2 by deleting the name "Mr. Majakathata Simon Mokoena-Thakhisi" and substituting "Ms. Matšelisio Lehohla".

DATED: 18TH MAY, 2016

**JOSHUA SETIPA
MINISTER OF TRADE AND INDUSTRY**

NOTE

1. Act No. 13 of 1990 as amended by Act No. 7 of 2000
2. L.N. No 80 of 2015 as amended by L.N. No. 132 of 2015 and L.N. No. 21 of 2016

LEGAL NOTICE NO. 54 OF 2016

**Financial Institutions (Disclosure of Financial Information)
Regulations, 2016**

Pursuant to regulation 71(1) of the Financial Institutions Act, 2012¹, I,

DR. RETŠELISITSOE MATLANYANE

Governor of Central Bank, being the Commissioner of Financial Institutions
make the following Regulations:

Citation and commencement

1. These regulations may be cited as the Financial Institutions (Disclosure of Financial Information) Regulations, 2016 and shall come into operation on the date of publication in the Gazette.

Interpretation

2. (1) In these regulations unless, the context otherwise requires -

“annual report” means a financial report containing the audited financial statements of a bank required under section 40 of the Act, and includes footnotes, discussion of financial performance, a business report amplifying further on information contained in the financial report and the financial information required for disclosure;

“material information” means information which could change or influence the assessment or decision of a user relying on the information to make economic decisions, if the information is misstated or omitted;

“proprietary information” means information that undermines the competitive position of an institution if disclosed to the public;

“reporting standards” means the International Financial Reporting Standards, set by International Accounting Standards Board;

“the Act” means the Financial Institutions Act, 2012;

- (2) Other words used to have the same meaning assigned to them in the Act.

Objective

3. The Objective of these regulations is to prescribe the extent, manner and frequency of disclosure, types of disclosures and the information that is required to be disclosed by banks.

Application

4. These regulations shall apply to a bank issued a license under the Act.

Requirements for disclosure of financial information

5. (1) A bank shall adopt clear policies for meeting the requirements regarding disclosure of financial information and shall establish and implement such policies for assessing the appropriateness of the disclosures.

(2) The Board of directors of a bank shall approve the policies required under subregulation (1) and shall be responsible for verification of the annual reports and other financial reports, and shall report such information to the shareholders at the general meeting.

(3) A bank shall disclose the following information to the Commissioner -

- (a) risk management objectives and policies;
- (b) capital requirement and estimating the appropriate level of capital;
- (c) counterparty credit risk exposure;
- (d) exposure to credit risk;
- (e) investments in equity instruments not included in trading book positions;

- (f) exposure to interest rate risk relative to positions not included in trading book positions; and
 - (g) any other information deemed appropriate or necessary by the Commissioner.
- (4) A bank may not disclose information if -
- (a) it is not material information; or
 - (b) it is confidential or proprietary information.
- (5) Where a bank does not disclose information in terms of subregulation (4)(b) it shall state that the information has not been disclosed and provide grounds that render the information confidential.
- (6) The Commissioner may, upon request by a bank, permit the bank to omit disclosure of information, fully or partially, if the information is otherwise disclosed on a consolidated basis by a parent company located in another country and the disclosures are at least equal to the disclosure required under this regulation.
- (7) A bank shall publish disclosure requirements in its annual report made up of a financial report and a separate business report.
- (8) The annual report and the auditor's management report shall be submitted to the Commissioner in accordance with section 40 of the Act.
- (9) A bank shall publish its annual report on its public website, and its financial report in at least one newspaper of general circulation in Lesotho.
- (10) All information contained in the annual report shall be accounted for in accordance with reporting standards.
- (11) A bank shall meet the requirements of this regulation on the basis of its consolidated financial situation.
- (12) External auditors of a bank shall verify the completeness and accuracy of the financial disclosures required under this regulation.

(13) A bank shall publish its financial report at least once a year, and more frequently if the Commissioner considers it is necessary with regard to the nature of the business of the bank.

Information regarding risk management

6. (1) The risk management objectives and policies for each separate category of risk shall be disclosed in the business report by the bank, annually, including the following information -

- (a) the strategies and processes for managing risk,
- (b) the scope and nature of internal risk reporting and risk measurement systems,
- (c) the structure and organization of the relevant risk, management function,
- (d) the policy for hedging and mitigating risk, and the strategies and process for monitoring the continuing effectiveness of hedges and other mitigants.

(2) A bank shall disclose, in the business report annually, the following information regarding the entities included in the disclosure:

- (a) the name of the bank or parent company required to make disclosures pursuant to these regulations;
- (b) an outline of the differences in the basis of consolidation for accounting and prudential purposes on a consolidated basis, with a brief description of entities that are -
 - (i) fully consolidated;
 - (ii) proportionately consolidated; and
 - (iii) not consolidated.

Information regarding capital accounts of a bank and credit risk

7. (1) The following information shall be disclosed by a bank regarding its capital accounts -

- (a) in the footnotes to the financial report, key information on the terms and conditions of the main features of capital items and components thereof, such as preferred shares; and
- (b) in the business report, a summary of the approach taken by the bank to assess the adequacy of its internal capital to support current and planned activities.

(2) The following information shall be disclosed in footnotes to the financial report, by the bank regarding its exposure to counterparty credit risk -

- (a) a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures;
- (b) the gross positive fair values of contracts, netting benefits, netted current credit exposures, collateral at the bank's disposal and net credit exposure from derivatives;
- (c) a description of the method that is used for calculating the exposure value for derivatives, swaps, securities or commodities lending or borrowing transactions, margin lending transactions and long position settlement transactions; and
- (d) the nominal value of credit derivatives transactions, the value of these instruments for the bank's portfolio, the values for clients being illustrated separately, and an indication of the types of credit derivatives further broken down as bought or sold.

(3) In connection with exposure to credit risk, a bank shall disclose the following information in its financial report:

- (a) a definition of past due and non-performance exposures;
- (b) a description of the methodology for making value adjustments to these items and to loss reserves;
- (c) the total amount of exposures, net of impairment and provision in the reporting period broken down by category of exposure;
- (d) the geographic distribution of exposures by institutional sector or counterparty type broken down by category of exposure;
- (e) the distribution of exposures by institutional sector or counterparty type broken down by category of exposure;
- (f) a breakdown of all categories of exposure of maturity of up to one year and more than one year;
- (g) the amount of past, due and non-performing exposures for significant institutional sectors, counterparty types and geographical areas; and
- (h) the amount of value adjustments due to impairments and loss provisions.

Information regarding investments not included in the trading book

8. (1) In connection with investments in equities not included in the trading book, a bank shall disclose the following information in its financial report -

- (a) the accounting techniques and valuation methods used with regard to the purpose of the investments, including for capital gain relationship and strategic reasons;
- (b) the balance sheet value and the fair value of investments, exchange traded securities, and a comparison with the market price where it is materially different from the fair value;

- (c) the types, nature and amounts of exposure from exchange traded securities;
- (d) the cumulative realised gains and losses from the sale of investments in equities in the reporting period; and
- (e) the total amount of unrealized gains and losses, and any of these amounts that the bank includes in its capital accounts.

Information regarding interest rate risk

9. In connection with interest rate risk from items not included into the trading book, a bank shall disclose the following information in its financial report -

- (a) the nature of the interest rate risk and the key assumptions including assumptions about the early payment of loans and the movement of demand deposits and the frequency of the measurement of interest rate risk;
- (b) the effect on earnings or any other measurement of value used in the management of interest rate risk in the event of upward or downward shocks in interest rates on major currencies.

Information regarding liquidity risk

10. In relation to liquidity risk, a bank shall disclose the following qualitative information in its business report or quantitative information in its financial report regarding -

- (a) methodologies -
 - (i) for managing liquidity risk, including the identification, measurement monitoring and control of liquidity, which should include information regarding off-balance sheet commitments, and
 - (iii) for reducing liquidity risk, including a system of limits for restricting exposure to liquidity risk, liquidity

reserves, and diversification of sources of liquidity;

- (b) measures to prevent and eliminate the causes of liquidity shortage, including;
 - (i) a stress scenario;
 - (ii) contingency plans; and
 - (iii) any other information that the Commissioner may require in accordance with the disclosure requirements of the reporting standards.

Annual report

- 11. (1) A bank shall submit an annual report which shall -
 - (a) consist of a financial report and a business report;
 - (b) be published on a consolidated basis; and
 - (c) be confirmed by the signatures of the board of directors of a bank.
- (2) The financial report shall comprise of -
 - (a) statement of financial position;
 - (b) income statement;
 - (c) statement of cash flows;
 - (d) statements of changes in equity;
 - (e) loan loss reserves; and
 - (f) notes to the financial statements.
- (3) The content of individual items and the methodology for the preparation and presentation of the financial statements shall be in accordance with the reporting standards.
- (4) The following shall be included as enclosures to the annual report -
 - (a) an auditor's statement;

- (b) information regarding the acceptance of the annual report by the bank's board of directors; and
- (c) a report regarding financial relations, including the nature and type of transactions, with the parent company and affiliated institutions.

Financial statements

12. (1) In the notes to the financial statements contained in the financial report under regulation 11(2) a bank shall -

- (a) disclose the significant accounting policies on which its financial statements are based and explain the following -
 - (i) any changes in accounting policies, the methods used to value individual items in the statements of financial position;
 - (ii) the methods for calculating past, due and non-performing loans and any write-off;
 - (iii) the policy for creating loss provisions;
 - (iv) the policy for recognizing income and expense;
 - (v) tax liabilities of a bank; and
 - (vi) the exchange rates at which values originally in foreign currencies have been converted into the national currency;
- (b) publish a maturity gap report categorizing items relating to assets and liabilities by remaining period to maturity by the following groups -
 - (i) up to one month;
 - (ii) more than one month and up to three months;

- (iii) more than three months and up to one year;
 - (iv) more than one year and up to five years; and
 - (v) more than five years;
- (c) include a statement disclosing -
- (i) contingent liabilities and derivatives outstanding as at the balance sheet date carried in off-balance sheet records including amounts by individual types of instruments, and separate instruments used for hedging interest rates, currency and other market risks, and those contracted for the purpose of trading;
 - (ii) information on subordinated liabilities, the amount of indebtedness, the currency of denomination, interest rate, maturity date, terms and conditions of subordination and the existence of any provisions relating to conversion of the subordinated liability onto equity or into any other obligation;
 - (iii) detailed information regarding the assets that the bank has pledged as security for its own obligation or for the obligations of third parties;
 - (iv) information regarding the total amount of assets and liabilities denominated in foreign currency and income and expenses generated in cross-border markets.

(2) The business report required under regulation 11(1) shall include the following:

- (a) a report on the performance of a bank for the financial year;
- (b) the structure of the board of directors, management

committees and senior management of a bank;

- (c) the organization chart of a bank; and
- (d) the ownership structure of the parent institution, including the group of affiliated companies and a description of its business network.

(3) The report required under subregulation (2)(a) shall include -

- (a) a description of the general economic environment, showing an overall picture of the environment with key factors that directly or indirectly influence the performance of a bank;
- (b) the features of the economic changes in the countries in which the bank has a significant volume of operations in cross-border markets and the impact they have had on its business;
- (c) corporate goals and objectives, showing the long-term objectives of its business policy and outline of the activities planned for achieving these objectives in the forthcoming year;
- (d) significant information and performance indicators, and for purposes of this paragraph a bank shall -
 - (i) describe specific types of services and transactions, classified by groups of clients both domestically and abroad;
 - (ii) present its structure of assets, liabilities and equity and contingent liabilities and explain changes to individual items in comparison with the previous financial year;
 - (iii) describe its exposure to credit and market risk, including currency risk, interest rate risk, operational and liquidity risk, with a definition of the

bank's approach to assuming risk and an explanation of its strategy for assuming and managing risk; and

- (iv) provide sufficient and comparable data for the previous financial year;
- (e) the shareholders of a bank and shareholder's equity, and for purposes of this paragraph a bank shall -
 - (i) present data regarding share capital and its composition, and data regarding changes in share capital and reasons for such changes, including their impact on profit for the current year and dividends paid;
 - (ii) present data on new issues of shares;
 - (iii) state the number of share issues, the type of shares issued and the total number and nominal value of each issue;
 - (iv) present the structure of its shareholders domestic and foreign as at the last day of the financial year; or
 - (v) list its ten largest shareholders and their holdings in its shareholders' equity;
- (f) milestones in the corporate development of a bank, describing those milestones and presenting significant information relating to its activities such as information regarding its business network, capital investment, staff and information technology support, and other relevant information that contributes to a more comprehensive presentation of a bank; and
- (g) any other information that the Commissioner may require.

Administrative actions and penalties

13. If a bank does not comply with these regulations, the Commissioner may -

- (a) impose a general penalty in accordance with section 32 of the Act;
- (b) restrict all transactions between the bank and its related parties;
- (c) prohibit payment of bonuses, salary incentives and other discretionary compensations to directors or officers of the bank; or
- (d) prohibit declaration or payment of dividends or other distribution of capital.

DATED:

**DR. RETŠELISITSOE MATLANYANE
GOVERNOR OF THE CENTRAL BANK OF LESOTHO**

NOTE

1. Act No. 3 of 2012

LEGAL NOTICE NO. 55 OF 2016**Declaration of Land Area for Development (Plot No. 06462-021)
Mafeteng Urban Area Notice, 2016**

In exercise of the powers conferred by the section 51 of the Land Act 2010¹, I,

PONTŠO 'MATUMELO SEKATLE

Minister of Local Government and Chieftainship Affairs declare that the land described in the schedule hereto in extent 10636m² more or less shall comprise as Area for Land Development pursuant to section 51 of the Land Act 2010 at the date of this notice.

**DR. PONTŠO 'MATUMELO SEKATLE
MINISTER OF LOCAL GOVERNMENT AND
CHIEFTAINSHIP AFFAIRS**

SCHEDULE

Plot No. 06462-021 situated at MAFETENG URBAN AREA as delineated on Plan No. 06462 held in office of the Chief Surveyor, Maseru.

Ref.: LG/LS/83/1015

LEGAL NOTICE NO. 56 OF 2016**Old Age Monthly Pension Notice, 2016**

Pursuant to section 3(1) of the Old Pension Act, 2005¹, I,

'MAMPHONO KHAKETLA

Minister responsible for finance, make the following notice:

Citation and commencement

1. This notice may be cited as the Old Age Monthly Pension Notice, 2016, and shall be deemed to have come into operation on 1st April, 2016.

Old age monthly pension

2. The Old Age monthly pension is M580.00.

Revocation

3. The Old Age monthly Pension Notice 2015² is revoked

DATED:

**DR. 'MAMPHONO KHAKETLA
MINISTER OF FINANCE**

NOTE

1. Act No. 3 of 2005
2. L.N. No. 107 of 2015

