



# LESOTHO

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LEGAL NOTICE NO. 83 OF 2020

**Pension Funds (Disclosure) Regulations, 2020**

**Arrangement of Regulations**

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## LEGAL NOTICE NO. 83 OF 2020

**Pension Funds (Disclosure) Regulations, 2020**

Pursuant to sections 5, 17(2)(b), 26(4), 27(2), 65(4), 67(3), 68(2), 78 of the Pension Funds Act, 2019<sup>1</sup>, I,

**RETŠELISITSOE MATLANYANE**

Governor of the Central Bank of Lesotho, Regulator of Pensions, make the following Regulations -

**PART I - PRELIMINARY****Citation and commencement**

1. These Regulations may be cited as the Pensions Funds (Disclosure) Regulations, 2020 and shall come into operation on the date of publication in the Gazette.

**Interpretation**

2. In these Regulations, all other words used have the same meaning ascribed to them under the Act, and unless the context otherwise requires -

“Act” means Pension Funds Act, 2019;

“fees” means any monetary charge of whatever nature;

“investment fees” means all fees related to the investment of pension fund assets, including fees related to investment consulting services and custodial services;

“operational fees” means all fees related to the pension fund that are not investment fees;

“pension fund intermediary” or “intermediary” means a person licensed in terms of section 60 of the Act;

“replacement ratio” means the ratio of the annual pension immediately

after retirement to the annual salary immediately before retirement;

“service provider” means any person appointed in terms of section 18(1) of the Act; and

“transfer value” means -

- (a) in the case of a defined contribution fund, the accumulated member and sponsoring employer contributions; and
- (b) in the case of a defined benefit fund, an amount calculated by the actuary.

### **Objectives**

3. The objective of these Regulations is to set out the requirements and procedures for disclosure of information -

- (a) by pension funds to their members, their sponsoring employers and the public;
- (b) by service providers to pension funds; and
- (c) by pension fund intermediaries to the public.

### **Application**

4. These Regulations shall apply to all -

- (a) pension funds;
- (b) pension fund intermediaries; and
- (c) service providers that are providing services to pension funds.

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## PART II - PENSION FUND

### Communication policy

5. (1) The board of trustees of a pension fund shall develop, adopt and implement a communication policy.
- (2) The communication policy shall -
- (a) be a written document; and
  - (b) detail the principles that govern the communication activities of the pension fund.
- (3) At a minimum, the communication policy shall -
- (a) detail the appropriate type, medium and frequency of communication;
  - (b) cover any information and communication that will enable a person to make informed decisions related to their participation in a pension fund or intermediating pension funds; and
  - (c) be relevant to the following persons -
    - (i) the public;
    - (ii) prospective members and, if applicable, their sponsoring employers;
    - (iii) members and, if applicable, their sponsoring employers and beneficiaries;
    - (iv) deferred members, if applicable;
    - (v) soon to be pensioners and pensioners;
    - (vi) intermediaries, if applicable; and

(vii) any other person with an interest in a pension fund.

(4) The board of trustees shall -

- (a) submit a copy of the approved and signed communication policy to the Regulator;
- (b) ensure that the communication policy is available to any interested person; and
- (c) at least, once every three years, review the effectiveness of and revise the communication policy.

### **Prospectus**

6. (1) The board of trustees shall develop a prospectus that shall -

- (a) be a written document;
- (b) be accurate, complete, and written in a manner that enhances understanding;
- (c) provide prospective members with sufficient information to make an informed decision on the pension fund;
- (d) contain sufficient information to be used by members as a guide for their participation in the pension fund;
- (e) be consistent with, and based on, the rules of the pension fund and the communication policy; and
- (f) be available to any member or prospective member.

(2) At a minimum, the prospectus shall contain -

- (a) a statement that the pension fund is regulated and supervised by the Regulator, including the registration number;

- 
- (b) details on applicable legislation;
  - (c) the objectives of the pension fund;
  - (d) details of whether the pension fund is a defined contribution or defined benefit fund and how the pension fund operates;
  - (e) details of the board of trustees, principal officer and the principal office;
  - (f) details of membership eligibility;
  - (g) details of contribution requirements;
  - (h) details of benefits provided by the pension fund;
  - (i) details of tax implications of joining the pension fund;
  - (j) transfers into and out of the pension fund;
  - (k) overview of management of the pension fund and details of all the service providers;
  - (l) investment policy of the pension fund;
  - (m) risks associated with the pension fund; and
  - (n) where one can lodge complaints.
- (3) In the case of prospective members, the prospectus shall also contain -
- (a) an application form, setting out all of the information required by the pension fund for the proper identification of the prospective member and administration of the pension fund; and
  - (b) a beneficiary nomination form.

- (4) The board of trustees shall -
- (a) submit a copy of the approved and signed prospectus to the Regulator; and
  - (b) amend the prospectus if and when the rules or other matters related to the pension fund change, and resubmit such prospectus to the Regulator.

### **Fund information**

7. (1) On an annual basis, within three months after the financial year end, the board of trustees shall provide each member of a pension fund with fund information.

(2) At a minimum, the fund information referred to in subregulation (1) shall contain -

- (a) a review, by the chairperson, of the activities of the pension fund for the year;
- (b) membership details of the pension fund;
- (c) abridged financial statements;
- (d) summary of any actuarial valuation, if applicable;
- (e) details on investments and investment performance against benchmarks;
- (f) details on the performance and the fees of all the service providers;
- (g) details on unclaimed benefits;
- (h) list of sponsoring employers, if applicable; and
- (i) complaints received and resolution thereof, if applicable.

(3) The fund information shall be accurate, complete and written in a manner that enhances understanding.

(4) The board of trustees shall submit a copy of the approved and signed fund information to the Regulator.

### **Benefit statements**

8. (1) On an annual basis, within three months after the financial year end, the board of trustees shall provide each member of a pension fund with their benefit statement.

(2) In the case of a defined contribution fund, at a minimum, the benefit statement shall contain -

- (a) name and registration details of the pension fund;
- (b) date of the statement;
- (c) date on which the member joined the pension fund;
- (d) name, date of birth, gender, marital status, annual salary and address of the member;
- (e) normal retirement date of the member;
- (f) beneficiaries nominated by the member, if applicable;
- (g) the member's and sponsoring employer's contributions for the last financial year of the pension fund, where applicable;
- (h) the member's additional voluntary contributions for the last financial year of the pension fund, where applicable;
- (i) the member's and sponsoring employer's accumulated contributions including all income and capital appreciation or depreciation, as at the end of the financial year of the pension fund, where applicable;

- (j) the member's accumulated additional voluntary contributions including all income and capital appreciation or depreciation, as at the end of the financial year of the pension fund, where applicable;
- (k) details of the benefits related to death, disability, funeral or any other benefit that the pension fund provides, where applicable;
- (l) transfer value of the accrued benefits;
- (m) projected benefits at normal retirement age, including:
  - (i) the projected total value of accumulated contributions;
  - (ii) the projected annual pension; and
  - (iii) the projected replacement ratio of the member; and
- (n) the annual additional voluntary contributions required to increase the projected replacement ratio by a minimum of 1 percent at normal retirement age.

(3) The board of trustees, for the purposes of determining subregulation (2)(m) and (n) shall -

- (a) use realistic assumptions, based on expert advice and their best judgement, to project benefits at the normal retirement age;
- (b) base the annual pension on a single life annuity with a five year guarantee period;
- (c) clearly disclose the detail in sub-regulations (a) and (b) above in the benefit statement; and
- (d) provide an explanation on how to interpret subregulations (2)(m) and (n).



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(4) In the case of a defined benefit fund, at a minimum, the benefit statement shall contain -

- (a) name and registration details of the pension fund;
- (b) date of the statement;
- (c) date on which the member joined the pension fund;
- (d) name, date of birth, gender, marital status, annual salary and address of the member;
- (e) normal retirement date of the member;
- (f) period of pensionable service;
- (g) beneficiaries nominated by the member, if applicable;
- (h) the member's and sponsoring employer's contributions for the last financial year of the pension fund, where applicable;
- (i) accrued pension benefits, including the transfer value of the accrued pension benefits, where applicable;
- (j) details of the benefits related to death, disability, funeral or any other benefit that the pension fund provides, where applicable; and
- (k) projected pension benefits at normal retirement age.

#### **Disclosure and information for investment choice**

9. (1) Where a pension fund provides members with a choice in investment, the board of trustees shall -

- (a) develop an appropriate guidance document for informed decision making on the investment options available; and

- (b) provide each member of the pension fund with the guidance document.

(2) The guidance document referred to in subregulation (1) shall, at a minimum, contain -

- (a) the member's right to choose an investment option;
- (b) full details of the different investment options, including the default investment option, with focus on asset and jurisdictional allocation, benchmarks and risk;
- (c) an explanation of the appropriateness of the different investment options for different age groups or categories of members; and
- (d) a clear statement that choosing any particular investment option does not guarantee any particular investment outcome.

(3) The board of trustees shall ensure that the guidance document is written -

- (a) in appropriate and easy to understand language;
- (b) not to confuse members; and
- (c) objectively, such that the resulting member investment choices are appropriate for those members.

### PART III - DISCLOSURE, MARKETING AND SELLING PRACTICE

#### **Content of advertisement or promotional material**

10. (1) The content of advertisement or promotional material for pension funds shall -

- (a) be factually correct, objective and complete;
- (b) not provide any false, biased or misleading information;

- 
- (c) where projections or illustrations are provided -
    - (i) be realistic;
    - (ii) state the assumptions and that the results are not guaranteed;
    - (iii) in the case of a defined contribution fund, be in line with the assumptions used in regulation 8(3); and
    - (iv) in the case of a defined benefit fund, be in line with the Rules of the pension fund and the assumptions made by the Actuary, where applicable;
  - (d) clearly and prominently disclose the fees payable to all parties involved; and
  - (e) provide a balanced view of the risks associated with the pension fund.

(2) Where any participation in any pension fund is marketed to a person, the advantages and disadvantages shall be explained to that person to enable informed decision making.

(3) A copy of all advertising and promotional material shall be provided to the Regulator within seven days of request.

### **Disclosure of information**

11. (1) Representation made and information provided by the intermediary to a prospective member, in respect of a pension fund, shall -

- (a) be factually correct, clear and concise;
- (b) be provided timeously;
- (c) be provided in writing; and

(d) contain all fees related to the pension fund.

(2) Intermediaries shall ensure that prospective members are made aware of the intermediary's financial interest in the sale of participation in a pension fund, and all fees shall be fully disclosed to prospective members.

### **Prohibited promotion and marketing activities**

12. No activity listed in Schedule 1 shall be used for the promotion or marketing of pension funds.

## **PART IV - DISCLOSURE OF FEES**

### **Disclosure of fees**

13. (1) All service providers shall clearly disclose all fees to the board of trustees of a pension fund to the extent that the pension fund can produce the information in Schedules 2 and 3.

(2) For the purpose of regulation 7(2)(e) and (f) the information disclosed shall, at a minimum, include that provided in Schedules 2 and 3.

## **PART V - MISCELLANEOUS**

### **Schedules**

14. The Regulator may, by notice in the Gazette, change the Schedules from time to time.

### **Transitional provisions**

15. All pension funds, service providers and intermediaries shall comply with the requirements of these Regulations within six months from the coming into operation of the Regulations.

**DATED:**

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

**NOTE**

1. Act No. 5 of 2019

**SCHEDULE 1**

**Prohibited Promotion and Marketing Activities**

The following activities are prohibited in the promotion and marketing of pension funds in terms of Regulation 12 and section 65(4) of the Pension funds Act, 2019 -

1. Conditional selling - No person shall be permitted to sell participation in a pension fund contingent on the purchase or sale of another product, or other consideration.
2. Inducement - No person shall induce a prospective member to participate in a pension fund by way of providing the prospective member any consideration value.
3. Coersion - No person shall coerce any person to participate in a pension fund.
4. Comparative marketing - No person shall make comparative references to competing pension funds in their promotion and marketing activities.

## SCHEDULE 2

### Disclosure of Operational fees

The disclosure of operational fees in terms of Regulation 13 and section 67(3) of the Pension Funds Act, 2019.

Operational fees	Nominal (M)	% of Contributions
Audit		
Actuarial		
Consultant		
Administrator		
Insurance		
Marketing, advertising and promotion		
Other operational fees		
<i>[please detail]</i>		
<b>Total</b>		

## SCHEDULE 3

### Disclosure of Investment Fees - Investment Managers

The disclosure of investment fees in terms of Regulation 13 and section 67(3) of the Pension Funds Act, 2019.

Investment Managers	Investment Manager A	Investment Manager B	Investment Manager C	...	Total
<b>Total Investment Fees (M)</b>					
<b>Gross Performance (%)</b>					
<b>Investment Management Fees (%)</b>					

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Trading Fees (%)

Custodial Fees (%)

Other Fees (%)  
[please detail]

Net Performance (%)

Benchmark Performance (%)

Over/under Performance (%)

#### SCHEDULE 4

#### Disclosure of Investment Fees

The disclosure of investment fees in terms of Regulation 13 and section 67(3) of the Pension Funds Act, 2019.

Investment Fees	Total (M)
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Investment Managers Fees	
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Trading Fees	
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Custodial Fees	
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Investment Consulting Fees	
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Other Fees [please detail]	
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<b>Total</b>	
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LEGAL NOTICE NO. 84 OF 2020

**Pension Funds (Investments) Regulations, 2020**

**Arrangement of Regulations**

**Regulations**

PART I - PRELIMINARY

1. Citation and commencement
2. Interpretation
3. Objectives
4. Application

PART II - INVESTMENT OF PENSION FUND

5. Diversification requirements
6. Jurisdiction limits
7. Exemption by the Regulator

PART III - INVESTMENT POLICY

8. Requirements for an investment policy
9. Investment policy
10. Periodic Review of the investment policy
11. Investment in collective investment schemes

PART IV - MISCELLANEOUS

12. Schedules
13. Transitional provisions

SCHEDULES

Schedule 1: Entity and asset class limits

Schedule 2: Contents of investment policy



## LEGAL NOTICE NO. 84 OF 2020

**Pension Funds (Investment) Regulations, 2020**

Pursuant to sections 5, 17(2)(b) and 45(3) of the Pension Funds Act, 2019<sup>1</sup>, I,

RETŠELISITSOE MATLANYANE

Governor of the Central Bank of Lesotho, Regulator of Pensions, make the following Regulations -

**PART I - PRELIMINARY****Citation and commencement**

1. These Regulations may be cited as the Pension Funds (Investment) Regulations, 2020 and shall come into operation on the date of publication in the Gazette.

**Interpretation**

2. In these Regulations, all other words used have the same meaning ascribed to them under the Act, and unless the context otherwise requires -

“Act” means Pension Funds Act, 2019;

“CMA” means the Common Monetary Area; and

“professional advisor” means any person that is qualified to provide advice to a pension fund on the asset allocation of a pension fund, including an actuary;

**Objectives**

3. The objective of these Regulations is to set out the requirements for -
- (a) the kind of assets a pension fund may invest in, including any limits related thereto;
  - (b) the jurisdiction a pension fund may invest in, including

- any limits related thereto;
- (c) diversification requirements for pension fund investments;
- (d) the minimum contents of an investment policy;
- (e) the implementation, monitoring and review of the investment policy; and
- (f) any other requirements relating to the investment of pension fund assets.

### **Application**

4. These Regulations shall apply to all pension funds.

## **PART II - INVESTMENT OF PENSION FUND**

### **Diversification requirements**

5. (1) A pension fund shall invest its assets in a manner that complies with the criteria in Schedule 1.
- (2) Where a pension fund wishes to invest in Item 8 of Schedule 1, the pension fund shall apply to the Regulator.

### **Jurisdiction limits**

6. (1) A pension fund shall, at a minimum, invest 30 per cent of its assets in Lesotho.
- (2) Subject to the Exchange Control Regulations, 1989 a pension fund shall invest, at a maximum, 25 percent of its assets outside the CMA.

### **Exemption by the Regulator**

7. (1) The Regulator may -
- (a) exempt a pension fund from compliance with the mini-

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mum investment requirement in terms of subregulation 6(1); and

- (b) temporarily exempt a pension fund from compliance with subregulation (5), where non-compliance is the result of changes in the market value of such securities and other instruments.

(2) The Regulator may specify conditions subject to which a pension fund may be exempted in terms of subregulation (1).

### PART III - INVESTMENT POLICY

#### Requirement for an investment policy

8. (1) In accordance with section 45 of the Act, every pension fund shall have a written investment policy on the investment of its assets.

(2) The investment policy referred in subregulation (1) shall be-

- (a) approved by the board of trustees;
- (b) signed by the chairperson and the principal officer; and
- (c) submitted to the Regulator.

(3) The investment policy shall include all applicable items specified in Schedule 2.

#### Investment policy

9. (1) The investment policy of a pension fund shall contain an asset allocation strategy determined by a professional advisor.

(2) When determining an investment policy, the board of trustees and the professional adviser of a pension fund shall have regard to -

- (a) the nature of the pension fund's liabilities;
- (b) whether the pension fund is defined contribution or de-

fixed benefit;

- (c) the level of solvency, if applicable;
- (d) the need for the scheme to remain in a financially sound condition at all times in accordance with section 25(1) of the Act;
- (e) the basic retirement income objectives of the fund;
- (f) the liquidity needs of the fund; and
- (g) the risk factors relevant to the fund, including risks related to categories of assets, jurisdictions and market sectors.

(3) The investment policy of a pension fund shall provide for -

- (a) a risk management process that identifies, measures and mitigates investment risks;
- (b) a mechanism for ensuring that assets and liabilities are managed in a consistent manner;
- (c) the processes relating to investment decisions; and
- (d) the procedure for the appointment of asset managers and other service providers related to investments.

(4) The investment policy of a pension fund shall be consistent with these Regulations and the Act.

(5) The Act, these Regulations and the investment policy shall be the principal instruments by which the board of trustees and the asset manager shall invest the assets of a pension fund.

(6) A pension fund shall notify the Regulator of any alteration of its investment policy within 15 days from the approval of such alteration by the board of trustees.

### **Periodic review of the investment policy**

10. The board of trustees shall, at least every three years, review the investment policy.

### **Investment in collective investment schemes**

11. (1) When investing in a collective investment scheme, a pension fund shall -

- (a) have regard to the extent to which the investment strategy of the collective investment scheme is consistent with the investment policy of the pension fund; and
- (b) assess its compliance with the concentration limits in Schedule 1 on an aggregate basis with due regard to the underlying assets of the collective investment scheme, or schemes, as the case may be.

(2) The Regulator will assess a pension fund's compliance with these Regulations based on the total assets of the pension fund.

## **PART IV - MISCELLANEOUS**

### **Schedules**

12. The Regulator may, by notice in the Gazette, change the Schedules from time to time.

### **Transitional provisions**

13. All pension funds shall comply with the requirements of these Regulations within six months from the coming into operation of these Regulations.

**DATED:**

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

**NOTE**

1. Act No. 5 of 2019
2. L.N. No. 175 of 1989

**SCHEDULE 1**

**Entity and asset class limits**

Item	Asset Class	Maximum percentage of aggregate market value of total assets of the Pension Fund -	
		Per issue/entity	Per Asset Class
1.	Deposits, balances and negotiable deposits in any registered deposit-taking institution and money market instruments.	20%	100%
2.	Bills, bonds, securities or loans issued or guaranteed by the Government of Lesotho.	100%	100%
3.	Bills, bonds, securities or loans issued or guaranteed by any other government	20%	75%
4.	Bills, bonds, securities or loans issued by companies or any other institution	10%	50%
5.	Investment in immovable property	10%	25%

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6.	Investments in preference or ordinary shares of companies listed on any stock exchange.	10%	75%
7.	Investments in preference or ordinary shares of companies not listed on any stock exchange.	2.50%	10%
8.	Other investments	2.50%	10%

## SCHEDULE 2

### Contents of Investment Policy

#### PART I - PRELIMINARY

1. Name of the pension fund
2. Objectives and type (defined benefit or defined contribution) of the pension fund
3. The investment policy objectives
4. Name and registered address of the sponsoring employer(s)

#### PART II - ROLES AND RESPONSIBILITIES

5. Governing body (with respect to investment)
6. Investment manager(s)
7. Other service providers

#### PART III - INVESTMENTS

8. Investment objectives
9. Performance objectives
10. Time horizon
11. Admissible assets and limitations
12. Investment diversification and concentration
13. Asset allocation strategy and limits
14. Rebalancing of asset allocation
15. Investment monitoring and reporting

#### PART IV - RISK MANAGEMENT

16. Risks
17. Risk objectives and tolerance
18. Risk measurement and evaluation
19. Valuation of investments

#### PART V - REPORTING

20. Reporting requirements
21. Performance measurement
22. Derivatives and alternative investments
23. Benchmarks and benchmark performance
24. Transaction cost analysis

#### PART VI - POLICY GUIDELINES

25. Fiduciary duty
26. Conflict of interests
27. Best investment decision and execution
28. Foreign investments
29. Investment restrictions
30. Proxy voting guidelines

#### PART VII - MISCELLANEOUS

31. Investment communication and beneficiary education
32. Amendment or alteration of investment policy
33. Enforcement of investment policy
34. Sanctions and reporting to the Regulator
35. Effective date of investment policy



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LEGAL NOTICE NO. 85 OF 2020

**Pension Funds (Financial Reporting Requirements) Regulations, 2020**

**Arrangement of Regulations**

**Regulations**

**PART I - PRELIMINARY**

1. Citation and commencement
2. Interpretation
3. Objectives
4. Application

**PART II - PENSION FUND**

5. Audited financial statements
6. Fund information
7. Actuarial report
8. Submission of returns

**PART III - MISCELLANEOUS**

9. Schedules
10. Transitional provisions

**SCHEDULES**

SCHEDULE 1: Pension Fund Details

SCHEDULE 2: Membership Details

SCHEDULE 3: Statement of Comprehensive Income-Operational

SCHEDULE 4: Investment Details

SCHEDULE 5: Statement of Comprehensive Income-Investment

SCHEDULE 6: Statement of Financial Position

SCHEDULE 7: Asset Allocation

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LEGAL NOTICE NO. 85 OF 2020

**Pension Funds (Financial Reporting Requirements) Regulations, 2020**

Pursuant to sections 5, 23(2), 24 and 42(a) of the Pension Funds Act, 2019<sup>1</sup>, I,

**RETŠELISITSOE MATLANYANE**

Governor of the Central Bank of Lesotho, Regulator of Pensions, make the following Regulations -

**PART I - PRELIMINARY**

**Citation and commencement**

1. These Regulations may be cited as the Pension Funds (Financial Reporting Requirements) Regulations, 2020 and shall come into operation on the date of publication in the Gazette.

**Interpretation**

2. In these Regulations, all other words used have the same meaning ascribed to them under the Act, and unless the context otherwise requires -

“Act” means Pensions Funds Act, 2019;

“CMA” mean the Common Monetary Area;

“deferred member” means a member of a pension that does not contribute and whose benefits have not been paid out; and

“fees” means any monetary charge of whatever nature.

**Objectives**

3. The objective of these Regulations is to set out the financial reporting requirements and procedures for pension funds.

## **Application**

4. These Regulations shall apply to all pension funds.

## **PART II - PENSION FUND**

### **Audited financial statements**

5. (1) A pension fund shall, within four months after the end of its financial year, submit to the Regulator audited financial statements prepared in accordance with international financial reporting standards.

(2) The audited financial statements referred to in sub-regulation (1) shall be approved by the board of trustees and signed by the Chairman and Principal Officer of the pension fund.

### **Fund information**

6. Pursuant to Regulation 7(3) of the Pension Funds (Disclosure) Regulations, 2020 the board of trustees shall submit the approved and signed fund information to the Regulator within three months after the end of its financial year.

### **Actuarial report**

7. (1) Where a pension fund has not been exempted from appointing an actuary in terms of section 18(3) of the Act, that pension fund shall cause its financial condition to be investigated by an actuary at least every three years, or more frequent at the instruction of the Regulator.

(2) The investigation by the actuary in subregulation (1) shall be conducted on a date coinciding with the financial year end of the pension fund.

(3) The actuarial report shall be approved by the board of trustees and submitted to the Regulator within six months of the end of its financial year-end.

### **Submission of returns**

8. (1) A pension fund shall prepare and submit to the Regulator annual returns for each financial year consistent with the audited financial statements

in Regulation 5(1), within four months of the end of the financial year of the pension fund.

(2) A pension fund shall prepare and submit to the Regulator quarterly returns within 30 days after the end of each calendar quarter.

(3) The annual and quarterly returns shall be -

(a) signed by the Chairman and Principal Officer of the pension fund; and

(b) consist of all of the forms in Schedules 1 to 7.

(4) A pension fund shall comply with any instructions or guidance issued by the Regulator in respect of specific requirement related to financial reporting.

### PART III - MISCELLANEOUS

#### Schedules

9. The Regulator may, by notice in the Gazette, change the Schedules from time to time.

#### Transitional provisions

10. All pension funds shall comply with the requirements of these Regulations within six months of the coming into operation of the Regulations.

**DATED:**

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

#### NOTE

1. Act No. 5 of 2019

## SCHEDULE 1

## PENSION FUND DETAILS

FUND

YEAR ENDED

- 1 Head Office Address**
- 2 Mailing Address (if different)**
- 3 Sponsoring employers**
  - Employer 1
  - Employer 2
  - Employer 3
  - Employer 4
  - Employer 5
- 4 Principal Officer**
  - Name
  - Position
  - Tel
  - Fax
  - Email
- 5 Board of Trustees**
  - Chairperson
  - Member
  - Member
  - Member
  - Member
- 5 Audit committee members**
- 6 Other sub-committees and members**
  - Sub-committee
  - Members

**7 External Auditor**

Firm

Signing Partner

Address

Tel

Fax

Email

**8 Actuary (if applicable)**

Name

Address

Tel

Fax

Email

Chairperson

Date:

Principal Officer

Date:

## SCHEDULE 2

## MEMBERSHIP DETAILS

**1 Year ended****2 Membership reconciliation (actives)                      Female                      Male**

Members at start of period

+ New members/Transfers in

- New retirements

- New deferred members

- Deaths

- Other exits/Transfers out

= Members at end of period

**3 Membership reconciliation                      Female                      Male**  
**(deferred members)**

Deferred members at start of period

+ New deferred members/Transfers in

- Deferred members transferred out

-	Retirements		
=	Deferred members at end of period		
<b>4</b>	<b>Membership reconciliation (pensioners)</b>	<b>Female</b>	<b>Male</b>
	Pensioners at start of period		
+	New pensioners/Transfers in		
-	Deaths		
-	Transfers out		
=	Pensioners at end of period		
	Chairperson	Principal Officer	
	Date:	Date:	

SCHEDULE 3

STATEMENT OF COMPREHENSIVE INCOME - OPERATIONAL

1	Year ended	Current Year - 1	Current Year
2	<b>Income</b>		
	Employer contributions		
	Employee contributions		
	Additional voluntary contributions		
	Insurance proceeds (Death, Disability, other)		
	Other (specify)		
	<b>Total Income</b>		
3	<b>Benefits paid</b>		
	Death benefits		
	Disability benefits		
	Retirement benefits		
	Lump sums		
	Pensions		
	Withdrawal benefits		
	Other (specify)		
	<b>Total benefits paid</b>		
4	<b>Transfers</b>		





Asset Manager 1  
 Asset Manager 2  
 ...  
 Insurer 1

<b>4</b>	<b>Assets under management</b>	<b>Current Year - 1</b>	<b>Current Year</b>
	Asset manager 1		
	Asset manager 2		
	Asset manager 3		
	Insurer		
	Direct investments		
	Other		
	...		
	<b>Total asset under management</b>		

Chairperson  
 Date:

Principal Officer  
 Date:

SCHEDULE 5

STATEMENT OF COMPREHENSIVE INCOME - INVESTMENT

<b>1</b>	<b>Year ended</b>	<b>Current Year - 1</b>	<b>Current Year</b>
<b>2</b>	<b>Income</b>		
	Interest income		
	Dividends		
	Rental income		
	Realized capital gains or loss		
	Unrealized capital gains or loss		
	Other (specify)		
	<b>Total Income</b>		
<b>3</b>	<b>Investment expenses</b>		
	Professional Fees		
	Fund Management Fees		
	Custody Fees		

Transaction costs  
 Bank charges  
 Other (specify)

**Total Expenses**

**4 Tax**  
 Income tax

**Net Income (Investment)**

Chairperson  
 Date:

Principal Officer  
 Date:

**SCHEDULE 6**

**STATEMENT OF FINANCIAL POSITION**

<b>1</b>	<b>Year ended</b>	<b>Current Year - 1</b>	<b>Current Year</b>
<b>2</b>	<b>Assets</b>		
	Investment property		
	Plant and equipment		
	Financial assets		
	Contributions and other receivables		
	Cash and cash equivalents		
	Other (specify)		
	<b>Total Assets</b>		
<b>3</b>	<b>Liabilities</b>		
	Accounts Payable		
	<b>Net Assets</b>		
<b>4</b>	<b>Reserves</b>		
	Member accounts/reserves		
	Reserve 1		
	Reserve 2		
	Reserve 3		

Chairperson  
Date:

Principal Officer  
Date:

SCHEDULE 7

ASSET ALLOCATION

1 **Year ended**

2 **Asset Allocation**

Asset Class	Lesotho	CMA (excluding Lesotho)	Other (specify)
-------------	---------	----------------------------	-----------------

Money market instruments

Fixed income securities

Listed Equity

Private Equity

Property

Other (specify)

**Total assets**

Chairperson  
Date:

Principal Officer  
Date:

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LEGAL NOTICE NO. 86 OF 2020

**Pension Funds (Registration and Licensing) Regulations, 2020**

**Arrangement of Regulations**

**Regulations**

**PART I - PRELIMINARY**

1. Citation and commencement
2. Interpretation
3. Objectives
4. Application

**PART II - REGISTRATION OF PENSION FUND**

5. Requirement for registration
6. Application for registration of a Pension Fund

**PART III - LICENSING OF SERVICE PROVIDERS**

7. Requirement for licensing
8. Application for licensing of a service provider
9. Application for licensing of an individual intermediary
10. Other requirements

**PART IV - MISCELLANEOIUS**

11. Schedules
12. Transitional provisions

SCHEDULES

SCHEDULE 1: APPLICATION FOR REGISTRATION OF A PENSION FUND  
**Applicant Details - Proposed Pension Fund**

SCHEDULE 2: APPLICATION FOR REGISTRATION OF A PENSION FUND  
**Certification - Proposed Trustees**

SCHEDULE 3: FIT AND PROPER ASSESSMENT **Applicant Details -  
Trustee, Principal Officer, Key Personnel or Individual  
Intermediaries**

SCHEDULE 4: APPLICATION FOR LINSENSE AS A SERVICE PROVIDER  
**Applicant Details - Proposed Service Provider**

SCHEDULE 5: APPLICATION FOR LICENSE AS A SERVICE PROVIDER  
**Applicant Details - Significant Owner - Natural Person**

SCHEDULE 6: APPLICATION FOR LICENSE AS A SERVICE PROVIDER  
**Applicant Details - Significant Owner - Corporation**

SCHEDULE 7: APPLICATION FOR LICENSE AS A SERVICE PROVIDER  
**Certification - Proposed Service Provider**

SCHEDULE 8: SCHEDULE OF FEES

## LEGAL NOTICE NO. 86 OF 2020

**Pension Funds (Registration and Licensing) Regulations, 2020**

Pursuant to sections 5, 9(1), 9(2)(e), 9(2)(g), 10(1)(d), 16(2), 21(2), 59(1), 59(2) of the Pension Funds Act, 2019<sup>1</sup>, I,

**RETSELISITSOE MATLANYANE**

Governor of the Central Bank of Lesotho and Regulator of Pensions, make the following Regulations -

**PART I - PRELIMINARY****Citation and commencement**

1. These Regulations may be cited as the Pensions (Registration and Licensing) Regulations, 2020 and shall come into operation on the date of publication in the Gazette.

**Interpretation**

2. In these Regulations, unless the context otherwise requires -

“Act” means the Pension Funds Act, 2019;

“corporate intermediary” means an intermediary which is a juristic person;

“individual intermediary” means an intermediary which is a natural person;

“key personnel” includes the Chairperson of the Board of Directors, a Director, Chief Executive Officer and any other person that occupies the equivalent level of management, and in the case of a corporate intermediary, any staff providing advice to clients.

**Objectives**

3. The objective of this Regulation is to set out the requirements and pre-

scribe the form and manner of application for the -

- (a) registration of pension funds; and
- (b) licensing of service providers.

### **Application**

4. These Regulations shall apply to all persons required to be registered or licensed under the Act.

## **PART II - REGISTRATION OF PENSION FUND**

### **Requirements for registration**

5. (1) An application for the registration of a pension fund shall be made in accordance with these Regulations.

(2) An applicant shall submit completed and signed application forms and all supporting documents to the Regulator in hard copy form.

### **Application for registration of a pension fund**

6. An application for the registration of a pension fund shall consist of:

- (a) form in Schedule 1: Applicant Details - Proposed Pension Fund;
- (b) form in Schedule 2: Certification - Proposed Trustees;
- (c) form in Schedule 3: Applicant Details - Trustee, Principal Officer or Key Personnel, for the fit and proper assessment for the proposed Trustees and Principal Officer; and
- (d) the application fee in Schedule 8.



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## PART III - LICENSING OF SERVICE PROVIDERS

### Requirement for licensing

7. (1) An application for the licensing of a service provider shall be made in accordance with this Regulation.

(2) An applicant shall submit completed and signed application forms and all supporting documents to the Registrar in hard copy form.

### Application for licensing of a service provider

8. (1) An application for the licensing of an administrator or corporate intermediary shall consist of -

- (a) form in Schedule 4: Applicant Details - Proposed Service Provider;
- (b) form in Schedule 5: Applicant Details - Significant Owner - Natural Person;
- (c) form in Schedule 6: Applicant Details - Significant Owner - Corporation;
- (d) form in Schedule 3: Applicant Details - Trustee, Principal Officer or Key Personnel, for the fit and proper assessment for the proposed Key Personnel;
- (e) form in Schedule 7: Certification - Proposed Service Provider;
- (f) the application fee in Schedule 8.

(2) An administrator or corporate intermediary shall have and maintain professional indemnity policy coverage of at least M1,000,000.00 or as may be determined by the Regulator.

(3) In the case of an application for the licensing of -

- (a) an administrator, the application shall include a detailed

business plan and other information demonstrating that the applicant:

- (i) has the adequate professional and technical knowledge and experience to perform administration for a pension fund; and
- (ii) has the necessary information technology systems, human capital and operational ability to perform administration for a pension fund;

- (b) a corporate intermediary, the application shall include a detailed business plan and policies and procedures to ensure that any advice provided by the intermediary is in the best interest of the client.

(4) On receipt of the information provided under subregulation (3), the Regulator may -

- (a) request any further information;
- (b) conduct interviews with key staff of the proposed service provider; and
- (c) conduct physical verification of the premises and business of the applicant, where applicable.

#### **Application for licensing of an individual intermediary**

9. An application for the licensing of an individual intermediary shall include -

- (a) form in Schedule 3: Applicant Details – Trustee, Principal Officer or Key Personnel; and
- (b) the application fee in Schedule 8.

#### **Other requirements**

10. The Regulator may, by notice, prescribe minimum requirements for

trustees, principal officers, individual intermediaries and key personnel relating to -

- (a) relevant and adequate pension experience;
- (b) relevant and adequate qualifications;
- (c) required regulatory examinations;
- (d) required level of continuous professional development;  
or
- (e) other requirements as the case maybe.

#### PART IV - MISCELLANEOUS

##### Schedules

11. The Regulator may, by notice published in the Gazette, change the Schedules.

##### Transitional provisions

12. Pursuant to section 80 of the Act, any person conducting the business of -

- (a) a pension fund;
- (b) administrator; or
- (c) intermediary,

shall be registered or licensed in terms of these Regulations within six months from the coming into operation of these Regulations.

**DATED:**

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

**NOTE**

1. Act No. 5 of 2019

**SCHEDULE 1**

**APPLICATION FOR REGISTRATION OF A PENSION FUND  
Applicant Details - Proposed Pension Fund**

To be completed and submitted for the Application for Registration of a Pension Fund in terms of section 9 of the Pension Funds Act, 2019.

1. **Name of Proposed Pension Fund**
2. **Category of Pension Fund**
  - Occupational Pension Fund (tick "✓" if applicable)
  - Non-occupational Pension Fund (tick "✓" if applicable)
  - Umbrella Pension Fund (tick "✓" if applicable)
3. **Is the Pension Fund a Provident Fund?**
  - Pension Fund is a Provident Fund (tick "✓" if applicable)
4. **If a non-occupational Pension Fund, state the type of Pension Fund**
  - Retirement annuity fund (tick "✓" if applicable)
  - Preservation fund (tick "✓" if applicable)
  - Beneficiary fund (tick "✓" if applicable)
5. **What form of the Pension Fund is it?**

Defined contribution (tick "✓" if applicable)

Defined benefit (tick "✓" if applicable)

Hybrid (i.e. elements of both defined contribution and defined benefit)  
(tick "✓" if applicable)

**6. Sponsoring employer (if applicable) or sponsor details**

Postal Address

Physical Address/Town/Area District

**7. Proposed Principal Office**

Postal Address

Physical Address/Town/Area District

**8. Proposed Principal Place of Business (if same as Principal Office,  
write "as above")**

Postal Address

Physical Address/Town/Area District

**9. Branch Offices (if applicable)**

Physical Address

Town

Area District

**10. Telephone Number/Fax Number**

**11. E-mail Address**

**12. Website Address (if applicable)**

**13. If Pension Fund was in existence prior to commencement of Act,  
provide the following:**

Founding documentation of the Pension Fund in terms of section

9(2)(f)(i) of the Pension Funds Act

YES NO REF

Statements of comprehensive income and financial position for the last 2 years in terms of section 9(2)(f)(ii) of the Pension Funds Act

YES NO REF

Actuarial valuations of the Pension Fund in terms of section 9(2)(f)(iii) of the Pension Funds Act

YES NO REF

**14. Total number of Trustees**

**15. Names and Licensing status of all Proposed Trustees**

Names of Proposed Trustees

- |    |     |
|----|-----|
| 1. | 7.  |
| 2. | 8.  |
| 3. | 9.  |
| 4. | 10. |
| 5. | 11. |
| 6. |     |

Include fit and proper assessment for each proposed Trustee (Schedule 3) REF

**16. Name of Proposed Principal Officer**

Include application for Principal Officer (Schedule 3) REF

**17. Administration of the Proposed Pension Fund**

Will the Pension Fund be self-administered?

YES NO

If "YES", please attach application for self-administration REF

---

If "NO", please provide details of Administrator

Name of Administrator

License Number

*Note: If the Proposed Administrator is not Licensed, the Proposed Administrator needs to submit and application for License as an Administrator.*

**18. Name Proposed Custodian**

Name of Custodian

License Number

**19. Names of Proposed Asset Manager(s) (if applicable)**

Name of Asset Manager(s)

License Number

**20. Name and details of Auditor**

Name of Auditor

Postal Address

Physical Address/Town/Area District

Contact person

Direct Business Line/Mobile Number

Email Address

**21. Name and details of Actuary (if applicable)**

Name of Actuary

Postal Address

Physical Address/Town/Area District

Direct Business Line/Mobile Number

Email Address

**22. Required Documents**

Rules of the Proposed Pension Fund	REF
Pension fund contract (for non-occupational pension funds), if applicable	REF
Certificate of Actuary for financial soundness of Rules of the Proposed Pension Fund	REF
Draft contract with the Administrator (if using external administrator)	REF

**SCHEDULE 2**

**APPLICATION FOR REGISTRATION OF A PENSION FUND  
Certification - Proposed Trustees**

To be completed and submitted as part of the Application for Registration of a Pension Fund in terms of section 9 of the Pension Funds Act, 2019.

**Name of Proposed Pension Fund**

We, the undersigned and the proposed Trustees of this proposed Pension Fund, certify that:

- (a) We have all endorsed the complete application;
- (b) We all together and individually state that the contents of the application are true and correct to the best of our knowledge; and
- (c) We acknowledge that we may be individually liable for any false or misleading information contained in the application.

Signature of proposed individual trustees:

Print Name:



Signature:

Date:

\_\_\_/\_\_\_/\_\_\_

Print Name:

Signature:

Date:

\_\_\_/\_\_\_/\_\_\_

Print Name:

Signature:

Date:

\_\_\_/\_\_\_/\_\_\_

Print Name:

Signature:

Date:

\_\_\_/\_\_\_/\_\_\_

Print Name:

Signature:

Date:

\_\_\_/\_\_\_/\_\_\_

Print Name:

Signature:

Date:

\_\_\_/\_\_\_/\_\_\_

Print Name:

Signature:

Date:

\_\_/\_\_/\_\_\_\_

Print Name:

Signature:

Date:

\_\_/\_\_/\_\_\_\_

Print Name:

Signature:

Date:

\_\_/\_\_/\_\_\_\_

Print Name:

Signature:

Date:

\_\_/\_\_/\_\_\_\_

Print Name:

Signature:

Date:

\_\_/\_\_/\_\_\_\_

---

**SCHEDULE 3****FIT AND PROPER ASSESSMENT**

**Applicant Details – Trustee, Principal Officer, Key Personnel or Individual Intermediaries**

To be completed Trustee, Principal Officer, Key Personnel or Individual Intermediaries in terms of sections 16(2) and 21(1)(b) 59(2)(b) of the Pension Funds Act, 2019, respectively.

**1. Name of Pension Fund/Institution (enter name if individual intermediary)**

**2. Function**

Trustee (tick "✓" if applicable)

Principal Officer (tick "✓" if applicable)

Director (tick "✓" if applicable)

Chief Executive Officer or similar (tick "✓" if applicable)

Individual Intermediary (tick "✓" if applicable)

Staff providing advice to clients (tick "✓" if applicable)

**3. Personal Details of Appointee**

Family Name

Given Name(s)

Date of Birth (dd/mm/yyyy)

Country and Town of Birth

Nationality

Country of Residence

Gender (Male/Female)

Marital Status (Single/Married/Divorced)

Nationality

Country of Residence

Identification Number

Include a certified copy of identification REF

Passport Number (if applicable)

Include a certified copy of passport REF

Visa Number (if applicable)

Include a certified copy of visa REF

Direct Business Telephone Number/Mobile Number

Email Address

Postal Address

Residential Address

**3. Change of Name and address**

Have you ever changed your name or used an alias? YES NO  
*If "YES", please provide details below*

Previous Family Name/Alias

Previous Given Name(s)/Alias

Date of Change (dd/mm/yyyy)

Have you changed your permanent address in the last 5 years?

YES

NO

*If "YES", please provide details below*

Previous Residential Address/Town/Area District

4. **Qualifications**

Educational qualifications

Qualification	Year	Institution
---------------	------	-------------

Professional qualifications

Professional Body	Year	Status
-------------------	------	--------

5. **Other Directorship(s) or Trusteeships(s) held over the last 10 years**

Organization	Date of appointment	Date of resignation
--------------	---------------------	---------------------

6. **Significant shareholding(s) in financial institutions over the past 10 years** (where significant shareholding is 5% or more of a class of shares or direct or indirect control of 5% or more of the voting stock - if interest has been relinquished note the date under "status", otherwise state "active")

Financial Institution	Nature of financial interest	Status
-----------------------	------------------------------	--------

7. **Employment history for the last 10 years (start with the most recent)**

Employer's Name

Type of Business

Address

Contact Number

Contact Email

Position held and brief description

Start date

End date

Employer's Name

Type of Business

Address

Contact Number

Contact Email

Position held and brief description

Start date

End date

Employer's Name

Type of Business

Address

Contact Number

Contact Email

Position held and brief description

Start date

End date

**8. Required documents**

Curriculum vitae	REF
Certified copies of educational and professional qualifications	REF
Contact details of two referees	REF
A certified statement of your assets and liabilities	REF
Tax compliance certificate	REF

Two letters, duly certified and notarized, from financial institutions with whom you have had dealings for the last two years on the performance of past and present accounts such as, unauthorized overdraft on deposit accounts, past-due or delinquent accounts.

REF

**9. Fitness and Propriety Questionnaire** (If the answer to a question is "YES", please provide additional explanations on a separate page with a reference provided)

- |    |   |     |    |     |
|----|---|-----|----|-----|
| a. | Have you ever been disqualified by any Court or by virtue of any statutory enactment from being a director or from acting in the senior management or conduct of the affairs of any financial sector institution whether in Lesotho or elsewhere? | YES | NO | REF |
| b. | Has any legal proceedings been issued against you in your personal capacity or against any entity, partnership, society or any other business undertaking to which you are connected as a shareholder, partner, director or senior official?      | YES | NO | REF |
| c. | Have you ever been refused entry to any profession or vocation whether in   | YES | NO | REF |

Lesotho or elsewhere?

- |    |   |     |    |     |
|----|---|-----|----|-----|
| d. | Have you ever been the subject of investigation/disciplinary procedures or publicly criticized by any professional body to which you belong or have belonged whether in Lesotho or elsewhere?   | YES | NO | REF |
| e. | Have you ever been dismissed or requested to resign from any office or employment whether in Lesotho or elsewhere?  | YES | NO | REF |
| f. | Have you been found civilly or criminally liable by any Court for fraud, misfeasance or other misconduct towards any partnership, business undertaking or corporation in connection with its formation or management and or any member or customer thereof in Lesotho or elsewhere? | YES | NO | REF |
| g. | Have you ever been convicted of any criminal offence involving dishonesty and or offences relating to financial legislations?   | YES | NO | REF |
| h. | Has a bankruptcy petition ever been served on you, or any organization in which you were a shareholder or held the position of director or senior management in any jurisdiction?   | YES | NO | REF |
| i. | Has any institution ever commenced legal action/court proceedings or declined doing any new business with you or your undertaking as a result of outstanding debts owed by you or the undertaking, or due to your not honouring other facilities afforded                           | YES | NO | REF |



- you (e.g. guarantee, etc.) by these institutions?
- j. Has any loan or credit facility (or part thereof) extended to you by any financial or lending institution, been restructured, renegotiated, provided against or been the subject of a write off or debt forgiveness for reasons of non-payment by you? YES NO REF
- k. Whether in Lesotho or elsewhere, have you ever been a shareholder, director or been directly concerned in the management or conduct of affairs of any body corporate, society, partnership or any other business undertaking which has become insolvent and or gone into liquidation, whilst you were associated with the entity? YES NO REF
- l. Are you a subject of a judgment debt which is unsatisfied, either in whole or in part, whether in Lesotho or elsewhere? YES NO REF
- m. Have you ever been subjected to a fine or punishment of any kind by any professional body because of failure to exercise duty of care in your capacity as a director, shareholder and or senior management official? YES NO REF
- n. Have you ever, in any jurisdiction, had an administrative order made against you? YES NO REF
- o. Have you ever been charged and found guilty of any crime on grounds of negligence by a competent

court whether in Lesotho or elsewhere?

- |    |   |     |    |     |
|----|---|-----|----|-----|
| p. | Has any third party to whom you were directly or indirectly dealing with suffered loss-whether financial or otherwise because of the non-disclosure of information, lack of knowledge, wrong information given by yourself in your professional capacity? | YES | NO | REF |
| q. | Has any decision or your conduct been adjudged by a competent court of law or any regulatory authority as prejudicial, bias, overriding the objectivity and bearing conflict of interest?   | YES | NO | REF |
| r. | Whether in Lesotho or elsewhere, have you ever been a shareholder, director of, or directly concerned in the management of any financial sector institution which has been served with a petition to wind up or has been wound up by a court?             | YES | NO | REF |
| s. | Whether in Lesotho or elsewhere, have you ever been a shareholder, director of, or directly concerned in the management of any financial sector institution the license or registration of which has been revoked?  | YES | NO | REF |
| t. | Whether in Lesotho or elsewhere, have you ever been a shareholder, director of, or directly concerned in the management of any financial sector institution whose business has been adjudged to have been conducted imprudently or fraudulently?          | YES | NO | REF |
| u. | Do you have any disputed obligations for taxes due and payable to the Lesotho Revenue Authority or any other taxation   | YES | NO | REF |

- authority in Lesotho or elsewhere?
- v. Do you hold a government appointed YES NO REF  
or elected position in Parliament, or a  
regional or local authority in Lesotho  
or in a foreign country, or are you an  
officer of a registered political party in  
Lesotho or elsewhere?
- w. Have you ever been diagnosed as YES NO REF  
being mentally ill or unstable?
- x. Do you usually reside in Lesotho? YES NO REF  
(If "NO, please describe how you  
intend to fulfil your obligations)
- y. Do you expect to have access to YES NO REF  
the financial, managerial, techno-  
logical, intellectual and other relevant  
resources to be able to discharge  
satisfactorily the your duties?
- z. Do you have a real or potential YES NO REF  
conflict of interest in relation to  
the proposed role?

## DECLARATION

I, the undersigned, hereby declare that:

(a) to the best of my knowledge and belief the statements made and the information supplied in this questionnaire and the attachments are correct and that there are no other facts that are relevant to the assessment of my fitness and propriety;

(b) I understand that ..... (insert entity name as in 1 above) or the Registrar may seek additional information from any third parties it deems necessary in view of assessing my fitness and propriety and I consent to their undertaking police checks and corporate searches as part of their due diligence; and



- 
1. **Name of Applicant**
  2. **Company Registration Number (issued by Registrar of Companies)**  
Include copy of certificate of incorporation REF
  3. **Registered Office**  
Postal Address  
  
Physical Address
  5. **Principal Place of Business** (if same as Registered Office, write "as above")  
  
Postal Address  
  
Physical Address/Town/Area District
  6. **Telephone Number**
  7. **E-mail Address**
  8. **Website Address (if applicable)**
  9. **Audited accounts for the preceding 2 years (if applicable)**  
  
YES NO REF
  10. **Total number of Directors**
  11. **Names of all Directors**
    - 1.
    - 2.
    - 3.
    - 4.
    - 5.
    - 6.
    - 7.
    - 8.

## SCHEDULE 5

**APPLICATION FOR LICENSE AS A SERVICE PROVIDER**  
**Applicant Details - Significant Owner - Natural Person**

To be completed and submitted by each ultimate beneficial owner or controller of 5% or more of a class of shares of the company applying for a license as an Administrator or Intermediary of a Pension Fund in terms of section 59 of the Pension Funds Act, 2019.

**1. Name of Significant Owner**

Family Name

Given Name(s)

**2. Telephone Number(s)**

Direct Business Line/Mobile Number

**3. Email Address****4. Postal and Residential Address**

Postal Address

Residential Address/Town/Area District

**5. Date and Country of Birth, Nationality and Residential Status**  
Date of Birth (dd/mm/yyyy)

Country of Birth

Nationality

Country of Residence

**6. Identification Number**

Include a certified copy of identification

REF

- 
7. **Date of initial acquisition of shareholding or control (dd/mm/yyyy)**
  8. **Relationship to the Applicant and details on shareholding and influence**  
  
Relationship to the Applicant  
  
Brief description of shareholding and influence (include direct and in direct holdings or control)
  9. **Fit and Proper Person assessment attached** REF

#### SCHEDULE 6

##### APPLICATION FOR LICENSE AS A SERVICE PROVIDER Applicant Details - Significant Owner - Corporation

To be completed and submitted by each company or other body corporate that is the ultimate beneficial owner or controller of 5% or more of a class of shares of the company applying for a license as an Administrator or Intermediary of a Pension Fund in terms of section 59 of the Pension Funds Act, 2019.

1. **Name of Corporation**
2. **Company Registration Number (issued by Registrar of Companies)**  
  
Include copy of certificate of incorporation REF
3. **Registered Office**  
  
Postal Address  
  
Physical Address/Town/Area District
4. **Telephone Number**
5. **E-mail Address**
6. **Website Address (if applicable)**

**7. Name of Managing Director/Chief Executive Officer**

Family Name

Given Name(s)

**8. Telephone Number(s)**

Direct Business Line/Mobile Number

**9. Email Address****10. Date of initial acquisition of shareholding or control (dd/mm/yyyy)****11. Relationship to the Applicant and details on shareholding and influence**

Relationship to the Applicant

Brief description of shareholding and influence (include direct and in direct holdings or control)

**12. Fit and Proper Person assessment attached**

REF

**SCHEDULE 7****APPLICATION FOR LICENSE AS A SERVICE PROVIDER  
Certification - Proposed Service Provider**

To be completed and submitted by the company applying for a license as an Administrator or Service Provider of a Pension Fund in terms of section 59 of the Pension Funds Act, 2019.

**1. Name of Applicant****2. Company Registration Number (issued by the Registrar of Companies)**

We, the undersigned, and duly authorized representatives of the Applicant certify





Corporate Intermediary 12,500	6,250
Individual Intermediary 300	150

## LEGAL NOTICE NO. 87 OF 2020

**Pension Funds (Operations) Regulations, 2020****Arrangement of Regulations****Regulations**

## PART I - PRELIMINARY

1. Citation and commencement
2. Interpretation
3. Objectives
4. Application

## PART II - RULES AND CONTRACT

5. Rules
6. Amendment of rules
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## PART III - PERFORMANCE OF BOARD OF TRUSTEES

8. Code of conduct
9. Performance benchmarks and assessment
10. Contract with service provider
11. Reporting of unclaimed benefits

## PART IV - CONTRIBUTIONS

12. Interest on late remittance of contributions

13. Use of intermediaries by pension funds

PART V - FINANCIAL SOUNDNESS AND RISK MANAGEMENT

14. Financial soundness

15. Risk Management

PART VI - MISCELLANEOUS

16. Schedules

17. Transitional provisions

## LEGAL NOTICE NO. 87 OF 2020

**Pension Funds (Operations) Regulations, 2020**

Pursuant to section 81 of the Pension Funds Act, 2019<sup>1</sup>, I,

**RETŠELISITSOE MATLANYANE**

Governor of the Central Bank of Lesotho, Regulator of Pensions, make the following Regulations -

**PART I - PRELIMINARY****Citation and commencement**

1. These Regulations may be cited as the Pension Funds (Operations) Regulations, 2020 and shall come into operation on the date of publication in the Gazette.

**Interpretation**

2. In these Regulations, unless the context otherwise requires -

“Act” means the Pension Funds Act, 2019; and

“individual member account” means the account of a member in a defined contribution fund, and is calculated by adding -

- (a) the total accumulated contributions of the member or sponsoring employer;
- (b) any interest, dividends or other income accrued in respect of contributions of the member or sponsoring employer;
- (c) any capital appreciation; and
- (d) any insurance proceeds in respect of any insured benefits, if applicable,

and by deducting any capital depreciation, cost of any insured benefits and any other expenses.

### **Objectives**

3. The objective of these Regulations is to set out the requirements for -
- (a) rules and amendment of rules of a pension fund;
  - (b) the contract of a non-occupational pension fund;
  - (c) code of conduct, performance benchmark and assessment of board of trustees;
  - (d) contract with service providers;
  - (e) unclaimed benefits;
  - (f) contributions and remittance of contributions; and
  - (g) financial soundness and risk management.

### **Application**

4. These Regulations shall apply to all pension funds.

## **PART II - RULES AND CONTRACT**

### **Rules**

5. (1) A pension fund shall, on registration, provide the Regulator with rules that are signed by the board of trustees and comply with the requirements of the Act.

(2) On approval of the rules referred to in subregulation (1), the Regulator shall forward a stamped copy of the approved Rules to the board of trustees.

(3) Where the Regulator does not approve the Rules, the Regulator shall inform the board of trustees of the reasons for its decision.

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**Amendment of rules**

6. (1) A pension fund that seeks to amend or replace the Rules, in terms of section 13 of the Act, shall submit to the Regulator -

- (a) a copy of the amended or replaced Rules signed by each member of the board of trustees;
- (b) a copy of the board of trustees resolution approving the amendment or replacement of the Rules;
- (c) a statement by the board of trustees confirming that the Rule amendment or replacement:
  - (i) was approved by the two-thirds majority vote of members in terms of section 13(3)(a) of the Act;
  - (ii) shall not render the pension fund unable to maintain a financially sound position in terms of section 13(3)(c) of the Act; and
  - (iii) will not adversely affect any creditor of the pension fund in terms of section 13(3)(f) of the Act.

(2) Where the amendment or replacement referred to in subregulation (1) has an impact on the benefits of members or beneficiaries, the pension fund shall submit to the Regulator -

- (a) confirmation that accrued benefits are not reduced; and
- (b) where future benefits are reduced, an explanation of the impact.

(3) On approval of the Rule amendment or replacement, the Regulator shall forward a stamped copy of the approved Rule amendment or replacement to the board of trustees.

(4) Where the Regulator does not approve the Rule amendment or replacement, the Regulator shall inform the board of trustees of the reasons for its decision.

**Non-occupational pension fund contract**

7. (1) A non-occupational pension fund shall have a contract that is consistent with the Act, the Regulations and the Rules.

(2) The non-occupational pension fund contract shall, at a minimum, include the following details -

- (a) details of parties to the contract;
- (b) reference to the Act and Regulations thereunder;
- (c) reference to the Rules;
- (d) details of the obligations of the parties;
- (e) details of the contributions payable by the member;
- (f) details of the benefits payable by the non-occupational pension fund;
- (g) reference to the investment policy, and in the case of investment choice, specific details on the investment options;
- (h) process for complaints lodging and adjudications; and
- (i) process and conditions for termination.

(3) On approval of the non-occupational pension fund contract, the Regulator shall forward a stamped copy of the approved contract to the board of trustees.

(4) Where the Regulator does not approve the non-occupational pension fund contract, the Regulator shall inform the board of trustees of the reasons for its decision.

(5) Non-occupational pension fund contract shall not be amended without approval of the Regulator.



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### PART III - PERFORMANCE OF BOARD OF TRUSTEES

#### Code of conduct

8. The board of trustees shall adopt a code of conduct that addresses the following principles -

- (a) act in good faith and in the best interests of members and beneficiaries;
- (b) act with prudence and reasonable care;
- (c) act with skill, competence and diligence;
- (d) avoid conflicts of interest;
- (e) maintain confidentiality;
- (f) comply with all applicable laws, regulations and rules;
- (g) communicate effectively in a transparent manner with all members and the regulator; and
- (h) review the performance of service providers.

#### Performance benchmarks and assessment

9. (1) The board of trustees shall, periodically, set measureable time and quality targets for service delivery to its members, beneficiaries, and the Regulator, including -

- (a) disclosure requirements in terms of the Pension Funds (Disclosure) Regulations, 2020<sup>2</sup>;
- (b) financial reporting requirements in terms of the Pension Funds (Financial Reporting Requirements) Regulations, 2020<sup>3</sup>;
- (c) processing of contributions and benefits; and

- (d) the resolution of queries and complaints from members or beneficiaries.

(2) On an annual basis, the board of trustees shall assess their performance against the performance benchmarks in regulation.

### **Contract with service provider**

10. Where the board of trustees appoints a service provider, the contract shall, at a minimum, contain provisions related to -

- (a) the scope of the arrangement and services to be provided;
- (b) commencement and end dates;
- (c) contract review provisions;
- (d) remuneration, pricing and fee structure;
- (e) service levels and performance requirements;
- (f) audit and monitoring processes, where applicable;
- (g) business continuity management and disaster recovery management, where applicable;
- (h) confidentiality, privacy and security of information;
- (i) default arrangements and termination provisions;
- (j) dispute resolution provisions;
- (k) liability and indemnity provisions;
- (l) sub-contracting provisions; and
- (m) insurance, where applicable.

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### **Reporting of unclaimed benefits**

11. A pension fund shall, on an annual basis, provide the Regulator with a list of all unclaimed benefits detailing, where available, for each member -

- (a) name(s);
- (b) gender;
- (c) date of birth;
- (d) last known address(es);
- (e) last known employer(s);
- (f) amount of unclaimed benefit;
- (g) name(s) of any dependent(s) or nominated beneficiaries;  
and
- (h) any other information that the pension fund has in respect of the unclaimed benefit.

### **PART IV - CONTRIBUTIONS**

#### **Interest on late remittance of contributions**

12. (1) Where an employer fails to remit the contributions due to an occupational or umbrella pension fund, in terms of section 29(3) of the Act, the employer is liable to pay interest on the contributions from the date that the contributions were due to the date that the contributions are paid.

(2) The interest rate payable in subregulation (1) is the annual prime lending rate plus five percent.

#### **Use of intermediaries by pension funds**

13. (1) No pension fund shall use the services of an unlicensed intermediary.

(2) A pension fund may use the services of an intermediary provided that -

- (a) there is a written agreement between the pension fund and the intermediary;
- (b) the individual intermediary or the employee of a corporate intermediary is provided with an identification card from the pension fund detailing, at a minimum -
  - (i) picture and name of the intermediary;
  - (ii) the name of the pension fund;
  - (iii) the expiry date of the identification card; and
  - (iv) whether or not the intermediary is permitted to accept contributions in terms of subregulation (1).

(3) A pension fund shall not permit an intermediary to receive, collect, hold or in any way deal with contributions payable to the pension fund, unless -

- (a) there is a mechanism that ensures that the pension fund is notified, on the date that contributions are received by the intermediary, of -
  - (i) the particulars of the member that makes the contributions;
  - (ii) the amount of contributions;
  - (iii) the particulars of the intermediary that has received the contributions; and
  - (iv) the intermediary has adequate professional indemnity insurance.

(4) No authorised intermediary shall delegate to any person any function including the receiving, collecting, holding, or in any way dealing with

contributions.

(5) Where cash is received by an intermediary as a contribution payable to a pension fund, the intermediary shall pay the pension fund an amount equal to the contribution, less any consideration payable by the pension fund for services rendered.

(6) All contributions collected by an intermediary shall be -

- (a) held in a fiduciary capacity; and
- (b) remitted to the pension fund within five working days of receipt.

(7) An intermediary shall keep adequate records of receipt of contributions referred to in this regulation and, on remittance of the contributions pursuant to subregulation (6)(b), shall simultaneously furnish the pension fund with a statement containing detailed particulars of all the remittance made.

(8) Payment of contributions by a member to an intermediary, shall be deemed to be received by the pension fund seven days after the date payment is made to the intermediary.

(9) Failure of an intermediary to remit contributions due to a pension fund in accordance with these regulations shall constitute an offence pursuant to section 73 of the Act.

(10) The pension fund shall submit to the Regulator -

- (a) a detailed description of the mechanism in subregulation (3);
- (b) a list of all intermediaries that have been authorised to receive, collect, hold or in any way deal with contributions; and
- (c) any other information that the Regulator may require.

(11) The Regulator shall either approve or disapprove of the mechanism in subregulation (3).

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**PART V - FINANCIAL SOUNDNESS AND RISK MANAGEMENT****Financial soundness**

14. A pension fund is in a financially sound position if it complies -
- (a) with the Pension Funds (Investment) Regulations, 2020<sup>4</sup>; and
  - (b) in the case of -
    - (i) a defined contribution fund, the value of the sum of the individual member accounts is equal to the market value total assets of the fund; or
    - (ii) a defined benefit fund, the liabilities, as determined by an actuary in terms of section 24 of the Act, are less than or equal to the market value of total assets of the fund.

**Risk Management**

15. (1) A pension fund shall have a written risk management policy that will identify, assess, mitigate, monitor and control internal and external sources of risk that may have a material impact on the operations of the pension fund.
- (2) A risk management policy, and its implementation, shall -
- (a) provide reasonable assurance that the risks of a pension fund are prudently managed; and
  - (b) have regard to the size and complexity of the operations of the pension fund.
- (3) A risk management policy shall consider the following principles -
- (a) the continuous identification and management of risk linked to the objectives of the pension fund;

- (b) a risk based approach to internal control should, including assessment of the likelihood and impact of a specific risk materializing;
- (c) the policy and procedures must cover governance, operational, administrative and compliance risk;
- (d) assignment of responsibilities and procedures and details of the actions to be taken when risks materialize;
- (e) the entrenchment of risk assessment and internal control operational procedures;
- (f) reporting to and review by the board of trustees at trustee meetings on internal control and risk, including the principal results of risk identification, evaluation and review of its effectiveness; and
- (g) acknowledgement by the board of trustees that it is ultimately responsible for a sound system of control and risk management.

(4) A risk management policy shall, at a minimum, contain provisions related to the following -

- (a) identifying the risks to achieving the objects of the pension fund, including:
  - (i) governance, operational, administrative and compliance risks;
  - (ii) risks arising from insurance;
- (b) determining the persons responsible for implementing the risk management policy;
- (c) determining and assessing the existing controls in place;
- (d) assessing the impact and likelihood of the risk after taking account of existing controls to derive the net

risk;

- (e) determining further control improvements to mitigate the risk and indicate what their impact on net risk will be when they are fully implemented; and
- (f) a review process to ensure that the risk management framework remains effective.

(5) The risk management policy related to investment risks is required to be contained in the investment policy, pursuant to the Pensions (Investment) Regulations.

## PART VI - MISCELLANEOUS

### Schedules

16. The Regulator may, by notice in the Gazette, make Schedules from time to time.

### Transitional provisions

17. All pension funds shall comply with the requirements of these Regulations within six months from the coming into operation of the Regulations.

**DATED:**

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

### NOTE

- 1. Act No. 5 of 2019
- 2. L.N. No. 83 of 2020
- 3. L.N. No. 85 of 2020
- 4. L.N. No. 84 of 2020



## LEGAL NOTICE NO. 88 OF 2020

**Insurance (Micro-Insurance) Regulations, 2020**

In exercise of the powers conferred on me under section 134 of the Insurance Act of 2014<sup>1</sup>, I,

**RETŠELISITSOE MATLANYANE**

Governor of the Central Bank of Lesotho, make the following regulations -

**Citation and commencement**

1. These regulations may be cited as the Insurance (Micro-Insurance) Regulations, 2020 and shall come into operation on the date of publication in the Gazette.

**Interpretation**

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

“Act” means the Insurance Act of 2014;

“client” means a person holding a micro-insurance policy, and includes a prospective policyholder;

“low income earners” means the low-income earning segment of the population working either in the formal or informal sector;

“micro-insurer” means a person licenced under these regulations to conduct micro-insurance business; and includes an insurer licenced under section 8(3) of the Act who offers a micro-insurance product approved by the Commissioner;

“micro-insurance product” means a product providing benefits in the classes of either short-term or long-term micro-insurance cover as set out in Schedule 1; and

“micro-insurance agent” means a person appointed by one or more micro-insurers or insurers underwriting micro-insurance remunerated by

way of commission to solicit applications for micro-insurance products and services.

All other words used have the same meaning ascribed to them under the Act.

### **Application**

3. These regulations apply to micro-insurers, micro-insurance agents, insurance intermediaries and micro-insurance products issued by insurers licenced under the Act.

### **Purpose**

4. The purpose of these regulations is to extend access to a variety of good-value formal insurance products appropriate to the needs of low-income earners and ensure protection of the consumers of micro-insurance through appropriate prudential and business conduct regulation.

### **Licence and registration**

5. (1) A person shall not conduct a micro-insurance business unless that person is -

- (a) licenced by the Commissioner; or
- (b) registered as a micro-insurance agent by the Commissioner.

(2) Subject to subregulation (1)(b) a person shall not be registered as a micro-insurance agent unless such person -

- (a) resides in Lesotho; and
- (b) is fit and proper as prescribed by the Commissioner in the Regulations.

### **Application for a licence**

6. (1) A person who intends to carry on any class of micro-insurance business shall apply to the Commissioner.

(2) A micro-insurer shall file a notice of appointment for the registration of the micro-insurance agent with the Commissioner within 14 days of entering into a written agreement with a micro-insurance agent.

(3) The Commissioner may object to the appointment of a micro-insurance agent in subregulation (2) if the appointment is -

- (a) not in accordance with the Act and these regulations; and
- (b) contrary to the best interest of the public.

(4) An application for licensing as a micro-insurer shall be in writing and made by a person who -

- (a) resides in Lesotho;
- (b) has a principal office in Lesotho;
- (c) is an entity that is -
  - (i) incorporated as a company under the Companies Act of 2011<sup>ii</sup>;
  - (ii) registered as a co-operative in Lesotho with minimum assets worth of M500,000.00; and
  - (iii) registered as a society in Lesotho with minimum assets worth of M500,000.00.

(5) An application for licensing as set out in subregulation (4) above shall be accompanied by -

- (a) addresses of the place of business of the applicant and of principal officer;
- (b) a list of names, addresses and occupations of persons constituting its board of directors or equivalent governing body;
- (c) a statement of the class of insurance business for which

the applicant seeks to be licenced, together with premium rates, rules and the standard policy forms for each class of business;

- (d) proof of capital of M1 000, 000.00 for a company;
- (e) proof of surplus of M100,000.00 for cooperatives and societies;
- (f) a statement based on calculations of premium rates if the applicant intends to carry out long-term insurance business;
- (g) a statement showing particulars of proposed reinsurance agreements, if any;
- (h) qualifications and experience of principal officer or chief executive officer or equivalent;
- (i) a business plan with 3 years financial projections;
- (j) application fees as prescribed in schedule 2; and
- (k) such documents, statements or information as the Commissioner may require.

(6) An applicant shall apply for a licence as micro-insurer for only one of the following categories of micro-insurance business -

- (a) long term micro-insurance; or
- (b) short term micro-insurance.

(7) The micro-insurer shall indicate in the application, the class or classes of micro-insurance products set forth in schedule 1 of the Act for which they are applying.

(8) Upon receipt of the application under subregulation (5), the Commissioner may grant a licence if satisfied that the applicant meets all the requirements of these Regulations.

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**Validity of a licence**

7. A licence shall be valid for a period of 5 years from the date of issue, subject to provisions of section 14 of the Act and payment of annual licence fee as prescribed by the Commissioner in schedule 2.

**Application for renewal**

8. An application for renewal of a licence shall be made at least three (3) months before the expiry date of the licence and such application shall be submitted to the Commissioner with the documents or information prescribed by the directive.

**Micro-insurance product**

9. (1) A micro-insurance product shall provide benefits under each life or risk insured not exceeding the benefit limitations for each category of business set out in schedule 1.

(2) Where micro-insurance benefits are offered in kind, a policy holder must be given the option, when claiming, of receiving a monetary benefit equal to the stated value of the in-kind benefit.

(3) The amounts of the monetary benefit option and the in-kind benefit in subregulation (2) should be clearly disclosed when the policy is entered into.

**Product approval**

10. (1) All micro-insurance products intended to be under-written shall require prior authorization by the Commissioner and shall bear the words 'micro-insurance product'.

(2) A micro-insurer shall, at least 60 days before offering the product to the public, provide the Commissioner with particulars of a new micro-insurance product together with the following -

- (a) a product brochure or other sales literature;
- (b) A specimen policy document relating to that product;

- (c) a report from an expert on the terms and conditions of a product; and
- (d) any other supporting information as the Commissioner may require.

(3) Where it appears to the Commissioner that any micro-insurance product is not appropriate, the Commissioner may by a directive -

- (a) Prohibit a micro-insurer from offering a product to the public;
- (b) require a micro-insurer to make such changes to a product as the Commissioner may specify; and
- (c) withdraw a product from the public.

#### **Distribution of micro-insurance product**

11. Micro-insurance product shall be distributed through insurance intermediaries or direct sales by a micro-insurers or micro-insurance agent.

#### **Agreement for offering micro-insurance product**

12. An insurance intermediary shall enter into an agreement with a micro-insurer which shall specify clearly the terms and conditions including the duties and responsibilities of each party.

#### **Training**

13. A micro-insurer shall be required to train at its expenses all designated officers carrying on day to day operations of micro-insurance business.

#### **Furnishing information to the Commissioner**

14. A micro-insurer shall furnish all information in respect of micro-insurance business to the Commissioner in such form and manner as may be prescribed by the Commissioner from time to time.

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**Financial reporting**

15. (1) A micro-insurer shall, within 90 days after the end of its financial year, furnish to the Commissioner -

- (a) audited financial statements;
- (b) annual returns as prescribed by the Commissioner; and
- (c) any other report as the Commissioner may require.

(2) A micro-insurer shall within 30 days after the end of the calendar quarter, submit to the Commissioner, quarterly returns as prescribed by the Commissioner.

**Audited Financial Statements**

16. (1) The Commissioner shall accept audited financial statements in regulation 15(1)(a) on condition that they have been -

- (a) approved by the micro-insurer's board of directors or equivalent governing body; and
- (b) signed by the chief executive officer or equivalent officer.

(2) The audited financial statements shall include an independent auditor's report.

**Submission of returns**

17. (1) The annual returns in regulation 15 (1) (b) shall be signed by the chief executive officer or equivalent officer.

(2) A micro-insurer shall prepare and submit to the Commissioner, quarterly returns within 30 days after the end of each calendar quarter.

(3) The quarterly returns of a micro-insurer shall be signed by the chief executive officer or equivalent officer.

(4) A micro-insurer shall use the prescribed forms to prepare the quarterly returns and shall include any other information as may be required by the Commissioner.

### **Policy document and disclosures**

18. (1) A micro-insurer shall provide a policy holder or members of a group where the insurance cover is taken by the group, with a written policy document within 30 days of the signing of the contract.

(2) A micro-insurer shall disclose to a policy holder in a written policy document referred to in subregulation (1) the following -

- (a) name of the micro-insurer;
- (b) clear statement that a product is a micro-insurance product;
- (c) all benefits and method of payment of thereof;
- (d) risks and contingent events covered;
- (e) all charges and fees to be levied against policies;
- (f) premiums, the frequency of their payments, together with the method of payment, and the consequences if premium is not paid;
- (g) term of the micro-insurance policy, renewal process and conditions;
- (h) detailed claims processes, documents required and expected claims settlement time;
- (i) terms and conditions, including the waiting period, grace period, exclusions, complaints procedures and contact details of the Commissioner; and
- (j) any other relevant information necessary to inform a policy holder of the details of the policy.



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### Information on a policy document

19. (1) The information in regulation 18(1) shall be -
- (a) in simple, plain language and easy to understand; and
  - (b) printed in clear and readable times new roman font of at least 12.
- (2) A micro-insurer shall summarize the information in subregulation (1) providing key facts statements of the policy document in Sesotho language.

### Complaints information

20. (1) A micro-insurer shall submit a quarterly report as prescribed by the Commissioner in schedule 3 regarding management and disposal of complaint from a micro-insurance policy holder.
- (2) A micro-insurer shall make itself easily accessible to a micro-insurance policy holder for complaints.
- (3) A micro-insurer shall ensure that a complaint is acted upon within 5 working days from filing of a complaint along with completion of all documentation requirements.
- (4) A micro-insurer shall ensure that all complaints are resolved within 30 working days from the date of the complaint.
- (5) If a complaint is not resolved at a level of a micro-insurer within 30 working days, a complaint may be referred by the insured or a complainant to the Commissioner for intervention.
- (6) A micro-insurer shall keep a record of a complaint received, together with an indication of whether a complaint has been resolved.
- (7) A micro-insurer shall keep a record in subregulation (6) for a minimum period of 10 years.

**Advertising**

21. A person shall not circulate or cause to be circulated, publish or cause to be published, directly or indirectly in whatever means, any information that is deceptive or misleading with respect to micro-insurance business.

**Misrepresentation**

22. A person shall not make a written or oral statement that is known, or should have been known to be a misrepresentation or make incomplete comparisons as to the terms, conditions or benefits of the policy.

**Unfair discrimination**

23. (1) A person licenced or registered under these regulations shall not discriminate a person of the same risk profile in respect of micro-insurance business.

(2) Nothing contained in subregulation (1) shall prohibit a micro-insurer from providing incentives for a person of the same risk profile.

**Inspection**

24. The Commissioner shall have the right to inspect the offices of the micro-insurer, with or without giving notice, including the affairs of the-

- (a) insurance intermediaries; or
- (b) any other person engaged in or proposing to be engaged in micro-insurance business.

**Code of conduct**

25. A micro-insurance agent shall adhere and observe the Insurance (Good Practice for Insurance Intermediaries) Code of 2016<sup>iii</sup>.

**Governing body**

26. Subject to section 48 of the Act, every micro-insurer shall have a board of directors or its equivalent; which shall be its governing body.

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### Composition of board

27. (1) A person appointed as a member of the board of directors shall meet a fit and proper criterion under section 41 of the Act.

(2) The board of directors shall comprise of an odd number.

(3) A micro-insurer shall, subject to subregulation (2), have at a minimum, a board of directors composed of the following -

- (a) Chairperson of the board who shall be independent and non-executive;
- (b) Chief executive officer who shall see to the day to day administration of the micro-insurer; and
- (c) an officer responsible for finance.

(4) The board of directors of the micro-insurer, shall, subject to subregulation (2) comprise of a majority of non-executive members, most of whom shall be independent.

(5) The provisions of subregulation (1), (2), (3) and (4) shall not apply to a micro-insurer who is registered as a cooperative or a society.

### Fiduciary duty

28. Members of the board of directors and management of a micro-insurer shall -

- (a) perform their duties honestly and in good faith with a view to the best interests of the micro-insurer, its policy holders and beneficiaries;
- (b) exercise such care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and
- (c) avoid conflict of interest between the micro-insurer's best interest and his or her own personal or business in-

terests.

### **Internal controls**

29. (1) A micro-insurer shall have a system of internal controls that provide assurance of effectiveness and efficiency of operations and reliability of financial reporting; and shall cover all activities and business units of a micro-insurer.

(2) The internal controls in subregulation (1) shall, subject to section 59 of the Act be able to detect -

- (a) fraudulent activities;
- (b) mismanagement and misappropriation of funds;
- (c) abuse of resources or assets; and
- (d) money laundering activities;

(3) A micro-insurer shall, subject to section 60 of the Act, have an internal audit function either outsourced or in-house.

### **Administrative penalties**

30. Notwithstanding sections 114, 115, 116 and 118 of the Act, The Commissioner may impose an administrative fine to any person who contravenes any part of these Regulations.

**DATED:**

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

### **NOTE**

- 1. Act No. 12 of 2014
- 2. Act No. 18 2011
- 3. L.N. No. 127 of 2016

SCHEDULE 1

(Regulation 6(7))

CLASSES OF MICRO-INSURANCE PRODUCTS

**A. Short Term Micro Insurance Classes and Sub-Classes**

Insurance Class	Insurance Sub-Class	Maximum
Motor	Personal line	M65,000.00
	Commercial lines	M100,000.00
Property	Personal lines	M250,000.00
	Commercial lines	M500,000.00
Agriculture	Subsistence	M15,000.00
	Commercial	M50,000.00
Transportation of goods	Personal lines	M15,000.00
	Commercial	M20,000.00
Legal Expenses	Personal lines	M6,500.00
	Commercial Lines	M15,000.00
Consumer Credit	Personal Lines	M25,000.00
	Commercial Lines	M65,000.00
Accident	Personal (Costs associated with accident other than damage to property)	M6,500.00
Travel	Personal lines	M6,500.00
	Group Travel	M15,500.00

### B. Long Term Micro Insurance Classes and Sub-Classes

Insurance Class	Insurance Sub-Class	Maximum
Life	Death	M100,000.00
	Health Lump sum on health event, not linked to medical expenses	M10,000.00
	Disability Once off payment on event of disability	M50,000.00
Funeral	Individual	M5,000.00
	Group	M5,000.00

#### SCHEDULE 2

(Regulation 6(5))

#### Licence Fees

Description	Application fee	Renewal fee	Annual fee
Micro-Insurer (Cooperatives and Societies)	M1,250.00	M500.00	M500.00
Micro-Insurer (Company)	M5,000.00	M2,500.00	M2,500.00
Micro-Insura- nce Agent (Individual)	M500.00	M250.00	M250.00
Micro-Insura-	M1,500.00	M750.00	M750.00

nce Agent  
(Company)

**SCHEDULE 3**

(Regulation 20(1))

**Complaints Information Reporting**

Current      Previous

- No. of complaints received during the quarter
- No. of complaints older than 30 days but less than 90 days
- No. of complaints older than 90 days to 120 days
- No. of complaints resolved during the quarter
- No. of complaints outstanding

**No. of complaint by product during the quarter**

Reported      Resolved      Outstanding

- Product 1 .....
- Product 2 .....
- Product 3 .....
- Product 4 .....
- Product 5 .....
- Product 6 .....
- Product 7 .....
- Product 8 .....
- Product 9 .....
- Product 10 .....

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