

# FINANCIAL INSTITUTIONS (LIQUIDITY REQUIREMENTS) REGULATIONS 2000

IN EXERCISE OF THE POWERS CONFERRED UPON THE COMMISSIONER OF FINANCIAL INSTITUTIONS BY SECTIONS 24 AND 71 (2) (f) OF THE FINANCIAL INSTITUTIONS ACT 1999 , THE COMMISSIONER MAKES THE FOLLOWING REGULATIONS -

## PART 8544;

### PRELIMINARY Citation and commencement

1. These Regulations may be cited as the Financial Institutions (Liquidity Requirements) Regulations 2000 and shall come into operation on the date of publication in the Gazette.

### Interpretation

2. In these Regulations, unless the context otherwise requires, words used have the same meanings assigned to them in the principal law.

### Objectives

3. These Regulations are intended to ensure that a bank maintains adequate liquidity and require frequent reporting and monitoring of liquidity position not only for prudential reasons but also for purposes of implementing macro-economic policies.

### Application

4. These Regulations apply to all banks licensed to operate in Lesotho.

## PART II

### REGULATORY REQUIREMENT Liquid assets ratio

5. (1) A bank shall

(a) manage its assets, liabilities and off-balance sheet contracts with a view to meeting fully its contractual commitments; and

(b) have an articulated and specific liquidity management policy which shall include such crucial elements of strong liquidity management as, good management information systems, central liquidity control, analysis of net funding requirements under alternative scenarios, diversification of funding sources and contingency planning.

(2) In connection with subregulation (1), all banks are required to maintain minimum reserve balance and liquid assets as specified in these Regulations.

(3) A weekly report on liquidity requirements as set out in the Schedule shall be submitted to the Central Bank not later than Tuesday of the following week.

(4) All banks shall at all times maintain reserve balance and liquid assets amounting to not less than three percent (3%) and twenty five per cent (25%), respectively, of the aggregate of

(a) deposit liabilities;

(b) balances due to banks abroad

(c) other liabilities for borrowed money (excluding Central Bank and Government borrowings).

(5) The minimum reserve balance shall be maintained by way of deposits with the Central Bank and no interest shall be paid by the Central Bank on such reserve account.

(6) Liquid assets shall consist of freely transferable assets, unencumbered by any charge or lien whatsoever, of the following classes

- (a) notes and coins that are legal tender in Lesotho;
- (b) deposit balances with Central Bank of Lesotho (excluding reserve balance);
- (c) balances due from banks in Lesotho; and
- (d) treasury bills and other securities issued by the Government or the Central Bank of Lesotho with remaining maturities of 370 days or less.

(6) The computation of minimum reserve balance and liquid assets shall be done on a daily basis and reported on a weekly basis. The reporting week starts on Thursdays and ends on Wednesdays. Any deficiency in daily liquidity position may be offset against excess liquidity in any other days within the reporting week, provided, however, that the weekly average reserve balance and liquid assets holdings shall not fall below 3% and 25%, respectively, of the weekly average deposits and other liabilities subject to the liquidity requirement.

Supervisory action

6. (1) If a bank fails to comply with the liquidity requirements, it shall immediately report, in writing, to the Central Bank such failure and the reasons therefore.

(2) During any period of time in which a bank fails, or is unable to meet the liquidity requirements, it shall not grant any loan or credit to any person without the prior written approval of the Central Bank.

(3) A penalty based on the amount of the average weekly deficiency in the reserve balance or liquid assets, or both may be imposed by the Central Bank at a rate equivalent to twice the interest rate on 91-day treasury bills of the Government of Lesotho prevailing during the reporting week and such penalty shall be payable to the Central Bank on demand made by it within such date as it may prescribe.

Repeal

7. The Financial Institutions (Liquidity Requirements) Regulations 2000 are repealed.

S. M. SWARAY

GOVERNOR, CENTRAL BANK OF LESOTHO

