

CIRCULAR

CBL/fc/FSD/1/G/GOV

21-Jul-22

Exchange Control Circular No. 1/2022

Authorised Dealers and Authorised Dealers with Limited Authority are advised of the removal of BOPCUS Reporting requirements in the introduction. This will now be replaced by C-BTRS requirements.

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DIRECTOR, BANKING SUPERVISION AND FINANCIAL STABILITY

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CBL/fc/FSD/1/G/GOV

21-Jul-22

Exchange Control Circular No. 2/2022

- 1) The following definition has been amended as follows under **Section A.1**:

Foreign Currency means any currency other than currency, that is legal tender in Lesotho, but excludes the currencies of South Africa, Namibia and Eswatini. Foreign exchange is deemed to include any bill of exchange, letter of credit, money order, postal order, promissory note, travellers' cheque or any other instrument of foreign exchange.

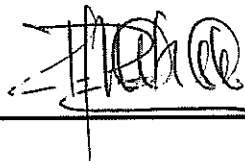
- 2) New definitions have been added under **Section A.1** as follows:

- (a) **C-BTRS** stands for Cross-Border Transaction Reporting System. As a general rule, Authorised Dealers and Authorised Dealers with Limited Authority are advised that throughout the manuals, BOPCUS Reporting System is now replaced by C-BTRS.

- (b) **Non-resident Maloti** means Maloti to or from a non-resident account that may be deemed, in certain circumstances permissible elsewhere in the Authorised Dealer Manual, as an acceptable payment mechanism in lieu of foreign currency. It should be noted that non-resident Maloti cannot in any manner be defined as foreign currency. It is purely Maloti held in a non-resident account or Maloti received from a non-resident source.

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- (c) **Related party** means a party to a transaction that has a direct or indirect interest in the other party and has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions or both parties are under common control. For the purpose of the Authorised Dealer Manual, this includes transactions between parties that belong to the same group of companies such as parent, subsidiary, fellow subsidiary and/or an associate company.

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21-Jul-22

Exchange Control Circular No. 3/2022

Amendments to the Currency and Exchanges Manual for Authorised Dealers

Flowing from the announcement made by King Mswati III on 2018-04-19 that Swaziland's name would be changed to the Kingdom of Eswatini, Authorised Dealers and Authorised Dealers in foreign exchange with Limited Authority are advised that reference to Swaziland has been changed to Eswatini in the Currency and Exchanges Manual for Authorised Dealers and Currency and Exchanges Manual for Authorised Dealers in foreign exchange with Limited Authority.

The following sections of the Currency and Exchanges Manual for Authorised Dealers have been amended accordingly:

A.1

A.3(E)(i)

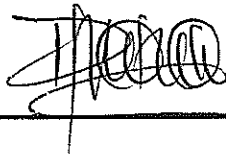
A.3(E)(iii)

A.3(E)(vi)

B.4(B)(iv)(g)(aa)

B.18(H)(i)

G.(A)(i)(c)



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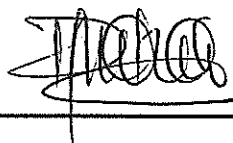
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21-Jul-22

Exchange Control Circular No. 4/2022

Authorised Dealers and Authorised Dealers in foreign exchange with Limited Authority are notified of the appointment of Lesotho PostBank as an Authorised Dealer in foreign exchange in Lesotho.

The name of Lesotho PostBank will be added to sections A.2(A) and A.2(B) of the Currency and Exchanges Manual for Authorised Dealers and the Currency and Exchanges Manual for Authorised Dealers in foreign exchange with Limited Authority (Manuals), respectively.



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21-Jul-22

Exchange Control Circular No.5 /2022

Authorised Dealers and Authorised Dealers in foreign exchange with Limited Authority are notified of the appointment of Sasai Econet Financial Services (Pty) Ltd as an Authorised Dealer in foreign exchange with Limited Authority in Lesotho.

The name of Sasai Econet Financial Services (Pty) Ltd will be added to sections A.2(A) and A.2(B) of the Currency and Exchanges Manual for Authorised Dealers and the Currency and Exchanges Manual for Authorised Dealers in foreign exchange with Limited Authority (Manuals), respectively.

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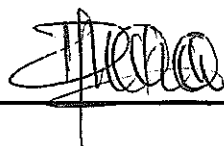
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21-Jul-22

Exchange Control Circular No. 6/2022

Authorised Dealers and Authorised Dealers in foreign exchange with Limited Authority are notified of the appointment of VCL Financial Services (Pty) Ltd as an Authorised Dealer in foreign exchange with Limited Authority in Lesotho.

The name of VCL Financial Services (Pty) Ltd will be added to sections A.2(A) and A.2(B) of the Currency and Exchanges Manual for Authorised Dealers and the Currency and Exchanges Manual for Authorised Dealers in foreign exchange with Limited Authority (Manuals), respectively.



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21-Jul-22

Exchange Control Circular No. 7/2022

Section A.3(C)(ii)

The subsection has been amended as follows:

(ii) Digital copies of the documents must be retained for a period of five years by Authorised Dealers for inspection purposes. Authorised Dealers should also point out to their clients that original documents must be retained for a period of five years for inspection purposes.

Section B.1(G)(ix)

The subsection has been amended as follows:

(ix) Digital copies of the documents must be retained for a period of five years by Authorised Dealers for inspection purposes. Authorised Dealers should also point out to their clients that original documents must be retained for a period of five years for inspection purposes.



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21-Jul-22

Exchange Control Circular No.8/2022

Transactions with Common Monetary Area residents

Authorised Dealers in foreign exchange are advised that foreign currency may now be sold to Common Monetary Area (CMA) residents residing and working in Lesotho, provided the CMA resident can substantiate that the value of such funds is reasonable in relation to the income generating activities in Lesotho.

Furthermore, it is advised that CMA residents who travel overland to and from other CMA countries through other Southern African Development Community countries may be accorded foreign currency equivalent of an amount not exceeding M25 000 per calendar year. This allocation will not form part of the permissible travel allowance for residents.

It should be noted that CMA investors who directly approach Authorised Dealers for the purpose of acquiring foreign asset exposure, would first have to obtain an approval letter from the relevant central bank or an appropriate mandated body of the CMA country.

CMA residents may enter into Maloti transactions with Lesotho's institutional investors. The requirement to obtain an approval letter from the relevant authority of the central bank or an appropriate mandated body of the CMA country is not applicable in respect of the discretionary business of the Lesotho's institutional investor.

Authorised Dealers should note that any exposure to CMA countries must be included in the calculation of the macro-prudential limit in terms of section B.2(I)(iv) of the Authorised Dealer Manual.

The following amendments have been made in the Currency and Exchanges Manual for Authorised Dealers:

Section A.3 (E)

The entire sub-section has been deleted and substituted as follows:

(i) The application of exchange control within the CMA is governed by the Multilateral Monetary Agreement.

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(ii) South Africa, Namibia and Eswatini have their own monetary authorities as well as their own legislation.

(iii) CMA country currencies consist of the following: South African Rand, Namibian Dollar, Swazi Lilangeni and Lesotho Loti.

(iv) Investments and transfers of funds in Maloti from/to Lesotho to/from other CMA countries do not require the approval of the Financial Surveillance and Integrity Division.

(v) There are no foreign exchange restrictions between banks of the CMA countries in respect of cross-border transactions amongst themselves.

(vi) Authorised Dealers may not enter into foreign exchange transactions with residents of other CMA countries. If such requests are received, the clients should be referred back to their bankers in the CMA country concerned, except for (viii) below.

(vii) Any exposure to CMA country should be included in the calculation of the macro-prudential limit in terms of section B.2 (I)(iv) of the Authorised Dealer Manual.

(viii) As an exception to (vi) above, Authorised Dealers may:

(a) sell foreign currency to:

(aa) foreign diplomats, accredited foreign diplomatic staff as well as students with a valid student card from other CMA countries while in Lesotho;

(bb) CMA residents in Lesotho, to cover unforeseen incidental costs whilst in transit, subject to viewing a passenger ticket confirming a destination outside the CMA;

(cc) CMA residents working and residing in Lesotho, provided the CMA resident can substantiate that the value of such funds is reasonable in relation to their income generating activities in Lesotho; and

(dd) CMA residents who travel overland to and from other CMA countries through a SADC country up an amount not exceeding M25 000 per calendar year. This allocation does not form part of the permissible travel allowance for residents; and

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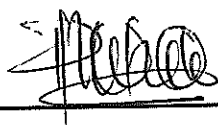
(b) enter into foreign exchange or hedging transactions with residents of other CMA countries provided that:

(aa) the transaction is in respect of the CMA member's own business;

(bb) an approval letter has been obtained from the relevant authority of the Central Bank or an appropriate mandated body of the CMA country. Such a letter must be viewed by an Authorised Dealer to ensure that the transaction is concluded on the particular basis as formally sanctioned by the relevant CMA authority; and

(cc) information on the nature of transactions and the party with whom such transactions have been entered into is submitted by the Authorised Dealers to the Financial Surveillance and Integrity Division on a quarterly basis.

(ix) CMA residents may enter into Maloti transactions with Lesotho's institutional investors. The requirement to obtain an approval letter from the relevant authority of the Central Bank or an appropriate mandated body of the CMA country is not applicable in respect of the discretionary business of the Lesotho institutional investor.



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Exchange Control Circular No.9/2022

Authorised Dealers are advised of the change of BOP category codes under the following:

Section J (C) and J (E)

Change of balance of payment categories (BOP Codes) from 3-digit BOP codes to 5-digit BOP codes

Section B.1 (E) (vi)

(vi) Cross-border foreign exchange reporting categories

(a) Payments for imports against an invoice only should be reported under the advance payment category 101-01 to 101-11.

(b) Payment for imports against an invoice and transport documents should also be reported under the advance payment category 101-01 to 101-11.

(c) Advance payments for clients availing of the imports undertaking dispensation must be reported under category 101-01 to 102-11.

(d) Payments for imports where the goods have already been released by Customs and the prescribed LRA Customs Declaration bearing the 7-digit customs release notification number has been issued, the applicable import category, excluding category 101-01 to 101-11, must be used.

Section B.2(A)(iii)(a)

All inward funds emanating from such transactions must be repatriated to Lesotho within a period of 30 days from the date of becoming entitled thereto and reported under category 210-00 on the CBTRS.

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Section B.2(A)(iv)(a)

All royalties and/or fees emanating from such transactions must be repatriated to Lesotho within a period of 30 days from the date of becoming entitled thereto and reported under category 210-00 on C-BTRS.

Section B.2(C)(iii)(d)

Foreign portfolio investments must be reported under category 830-00 - Details of payments not classified and in the description field insert 'Portfolio Investments'.

Section I.3(B)(vi)(c)

In the case of foreign trade finance facilities, repayments of such facilities must be reported under Category 106-00 or 801-00 and interest payment under Category 309-06 of C-BTRS

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21-Jul-22

Exchange Control Circular No.10/2022

Amendment of Section B.1(E)(ii)(a) and (b); removal of the M10 million restriction

- (a) Foreign currency may be provided for advance payments, as well as payment for importation, up to 100 per cent of the ex-factory cost of capital goods to be imported.



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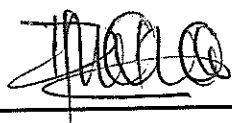
Exchange Control Circular No.11/2022

Amendments to the Currency and Exchanges Manual for Authorised Dealers

Section B.1 (I)(v)(f)

The wording 'on an annual basis' has been replaced by 'per calendar year' as follows:

(f) a letter of compliance, on the company's official letterhead and signed by two executive directors, confirming that the conditions applicable to the Imports Undertaking Dispensation have been complied with, must be submitted to the Financial Surveillance and Integrity Division per calendar year.

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Exchange Control Circular No. 12/2022

The following section has been amended.

Section B.5 (A)(i)(d)

(d) The dispensation in (b) above excludes:

(aa) single remittance transactions up to M5 000 per transaction where only the applicant's proof of identity has to be viewed and retained by the Authorised Dealer concerned; and

(bb) transactions where a business relationship has been established, which are limited to M5 000 per transaction per day within a limit of M25 000 per applicant per calendar month. The Authorised Dealer must complete the relevant customer due diligence requirements by establishing and verifying the identity of the applicant in terms Regulation 3 and 6 of the Money Laundering and Proceeds of Crime Regulations, and obtaining the applicant's residential address information for reporting purposes.



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Exchange Control Circular No. 13/2021

1) The wording '*Maloti from a non-resident Maloti account*' has been replaced by '*Maloti from a non-resident Maloti account in the name of the non-resident and/or Maloti from a vostro account held in the books of the Authorised Dealer*', in the following sections of the Authorised Dealer Manual:

- B.5(A)(iii)(d)
- B.8(B)ii)(d)
- B.9(C)(i)(b)
- B.10(I)(i)(c)
- B.12(A)(ii)
- B.13(B)(i)
- B.14(J)(i)
- B.16(B)(i)
- B.18(B)(iii)
- B.20(A)(i)(c)
- B.20(L)(i)
- C.(A)(iii)(a)
- C.(E)(i)
- C.(F)(ii)
- D.2(E)(iv)(b)(bb)
- G.(A)(iii)(c)(aa)
- G.(A)(iv)(j)
- G.(A)(v)(d)
- G.(A)(vi)(d)
- G.(A)(vii)(b)(hh)
- G.(A)(ix)(a)(dd)(h)
- G.(B)(v)(a)
- G.(C)(i)
- G.(M)(ii)(a)(aa)
- G.(M)(ii)(c)



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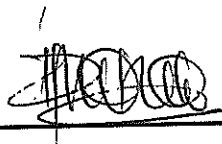
21-Jul-22

Exchange Control Circular No.14/2022

Amendment of Section B.18 (A)(i)

The sub-section has been amended as follows:

- (i) All exports in excess of M20 000 to countries outside the CMA, must be supported by the prescribed declaration on Forms F178 and N.E.P.

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21-Jul-22

Exchange Control Circular No.15/2022

Section I.1 (E)(ii)

The above subsection has been added as sub-section (ii) under Section I.1 (E) as follows:

(ii) As an exception to (i) above, Authorised Dealers may grant or authorise local financial assistance facilities to non-residents living and working in Lesotho in respect of the acquisition of residential property, subject to normal lending criteria.



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21-Jul-22

Exchange Control Circular No.16/2022

Amendment of Section J (G)

The following subsection has been added as follows:

(G) Operations Manual

(i) The complete Operations Manual is available from the Financial Surveillance and Integrity Division and can also be downloaded from www.centralbank.org.ls, by following the link: Home-Financial Stability-Financial Surveillance-Exchange Control-Documents-Manual-Operations Manual.

(ii) Reporting entities must comply with the rules specified in this document which must be read in conjunction with the Currency and Exchanges for Authorised Dealer Manual.



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Exchange Control Circular No.17/2022

Addition of a new section (J)(H) on Systems governance for Currency and Exchanges Manual for Authorised Dealers in foreign exchange.

Flowing from numerous queries received from reporting entities relating to the submission of systems governance documentation which, inter alia, includes the submission to the Financial Surveillance and Integrity Division of an inspection report, pre and post managerial letters of comfort as well as an annual managerial letter of comfort, Authorised Dealers and Authorised Dealers are advised that new section J(H) has been incorporated into the Currency and Exchanges Manual for Authorised Dealers to document the systems governance requirements and procedures as follows:

(H) Systems governance

(i) Inspection manual

The minimum information that should be contained in an inspection manual includes:

- a) a comprehensive flow diagram clearly depicting the flow of transactions through various systems (on-boarding, transactional, accounting and C-BTRS, including the Reconciliation Module) from capturing to submission of the transactions to the Financial Surveillance and Integrity Division;
- b) an up to date list of definitions, contact details of the dedicated person(s) responsible for the reporting to Financial Surveillance and Integrity Division, error handling and the Reconciliation Module; and
- c) suitable back-up procedures (i.e. how often, where, when, by whom, the duration of storage that should be minimum five years and recovery testing). Refer to the inspection manual specimen which is available upon request from the Financial Surveillance and Integrity Division.

(ii) Pre and post certification managerial letter of comfort

- a) Pre certification managerial letter of comfort must be submitted to the Financial Surveillance and Integrity Division prior to the inspectors conducting a systems certification of the on-boarding, transactional, accounting and Reporting System,

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including the Reconciliation Module. The pre certification managerial letter of comfort provides assurance that the reporting entity's C-BTRS complies with the Financial Surveillance and Integrity Division's reporting requirements. In addition, risks and controls around the systems are properly mitigated to ensure that correct, accurate and comprehensive data is submitted as well as that the respective system is ready for deployment into the production environment.

b) Post certification managerial letter of comfort must be submitted to the Financial Surveillance and Integrity Division after going on live environment successfully for at least one month.

c) These pre and post managerial letters of comfort should be completed by the dedicated person responsible for regulatory compliance in consultation with various governance structures within the reporting entity. Refer to the pre and post certification managerial letter of comfort specimens that are available as outlined in (i)(c) above.

(iii) Annual managerial letter of comfort

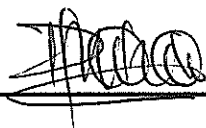
a) The reporting entity must submit an annual managerial letter of comfort indicating that it is comfortable with the governance structures and functionality of C-BTRS. The letter must be submitted to the Financial Surveillance and Integrity Division annually within three months after the financial year end of the reporting entity.

b) The dedicated person responsible for regulatory compliance must be accountable for completing the annual managerial letter of comfort and obtaining confirmation from assurance providers that the independent assurance review of the on-boarding, transactional, accounting and Reporting System, including the Reconciliation Module will form part of its ongoing reviews. In this regard, the nature of the assurance procedure must be outlined. Refer to the annual managerial letter of comfort specimen that is available as outlined in (i)(c) above.

The inspection manual template, pre and post certification managerial letters of comfort specimens, as well as an annual managerial letter of comfort specimen may be downloaded from www.centralbank.org.ls, by following the link: Home-

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Financial Stability-Financial Surveillance-Exchange Control-Documents-Manual-
Operations Manual.

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21-Jul-22

Exchange Control Circular No.18/2022

Addition of a new section C.1(I) on Systems governance for Currency and Exchanges Manual for Authorised Dealers in foreign exchange with Limited Authority.

Flowing from numerous queries received from reporting entities relating to the submission of systems governance documentation which, inter alia, includes the submission to the Financial Surveillance and Integrity Division of an inspection report, pre and post managerial letters of comfort as well as an annual managerial letter of comfort, Authorised Dealers in foreign exchange with Limited Authority are advised that new Section C.1(I) have been incorporated into the Currency and Exchanges Manual for Authorised Dealers in foreign exchange with Limited Authority to document the systems governance requirements and procedures as follows:

(I) Systems governance

(i) Inspection manual

The minimum information that should be contained in an inspection manual includes:

- a) a comprehensive flow diagram clearly depicting the flow of transactions through various systems (on-boarding, transactional, accounting and C-BTRS, including the Reconciliation Module) from capturing to submission of the transactions to the Financial Surveillance and Integrity Division;
- b) an up to date list of definitions, contact details of the dedicated person(s) responsible for the reporting to Financial Surveillance and Integrity Division, error handling and the Reconciliation Module; and
- c) suitable back-up procedures (i.e. how often, where, when, by whom, the duration of storage that should be minimum five years and recovery testing). Refer to the inspection manual specimen which is available upon request from the Financial Surveillance and Integrity Division.

(ii) Pre and post certification managerial letter of comfort

- a) Pre certification managerial letter of comfort must be submitted to the Financial Surveillance and Integrity Division prior to the inspectors conducting a systems

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certification of the on-boarding, transactional, accounting and Reporting System, including the Reconciliation Module. The pre certification managerial letter of comfort provides assurance that the reporting entity's C-BTRS complies with the Financial Surveillance and Integrity Division's reporting requirements. In addition, risks and controls around the systems are properly mitigated to ensure that correct, accurate and comprehensive data is submitted as well as that the respective system is ready for deployment into the production environment.

b) Post certification managerial letter of comfort must be submitted to the Financial Surveillance and Integrity Division after going on live environment successfully for at least one month.

c) These pre and post managerial letters of comfort should be completed by the dedicated person responsible for regulatory compliance in consultation with various governance structures within the reporting entity. Refer to the pre and post certification managerial letter of comfort specimens that are available as outlined in (i)(c) above.

(iii) Annual managerial letter of comfort

a) The reporting entity must submit an annual managerial letter of comfort indicating that it is comfortable with the governance structures and functionality of C-BTRS. The letter must be submitted to the Financial Surveillance and Integrity Division annually within three months after the financial year end of the reporting entity.

b) The dedicated person responsible for regulatory compliance must be accountable for completing the annual managerial letter of comfort and obtaining confirmation from assurance providers that the independent assurance review of the on-boarding, transactional, accounting and Reporting System, including the Reconciliation Module will form part of its ongoing reviews. In this regard, the nature of the assurance procedure must be outlined. Refer to the annual managerial letter of comfort specimen that is available as outlined in (i)(c) above.

The inspection manual template, pre and post certification managerial letters of comfort specimens, as well as an annual managerial letter of comfort specimen may be downloaded from www.centralbank.org.ls, by following the link: Home-

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Financial Stability-Financial Surveillance-Exchange Control-Documents-Manual-
Operations Manual.

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