



# LESOTHO

## Government Gazette

Vol. 63

Thursday – 31st May, 2018

No. 40

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### OTHER NOTICES

(See Supplement of the Gazette)

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## LEGAL NOTICE NO. 43 OF 2018

**Financial Institutions (Credit Only and Deposit Taking Micro-Finance Institutions) (Amendment) Regulations, 2018**

In exercise of the powers conferred upon the Commissioner of Financial Institutions by section 27(1) read with section 71 of the Financial Institutions Act, 2012<sup>1</sup> the Commissioner makes the following regulations -

**Citation and commencement**

1. These regulations may be cited as the Financial Institutions (Credit Only and Deposit Taking Micro-Finance Institutions) (Amendment) Regulations, 2018 and shall come into operation on the date of publication in the Gazette.

**Preamble**

2. The preamble to the Principal Regulations is repealed and substituted with the following preamble -

“In exercise of the powers conferred upon the Commissioner of Financial Institutions by section 71 read with section 27(1) of the Financial Institutions Act, 2012 the Commissioner makes the following regulations:”

**Application**

3. Regulation 3 is repealed and substituted with the following regulation -

“3. These regulations shall apply to the three types of micro-finance licenses as defined in schedule VI.”

**Preliminary conference**

4. Regulation 5(2) is amended by deleting “shall” after applicant and substituting “may”.

**Application documents**

5. Regulation 6(1) is amended by deleting “if, in the opinion of the Commissioner, the applicant reasonably establishes capacity of intent to provide a credit-only or deposit-taking micro-finance services or both, the Commissioner shall provide the applicant with -” and substituted with “The Commissioner shall provide the applicant with the following application materials:”

### **Business plan**

6. Regulation 7(1) is amended by deleting "An" at the beginning of the regulation and substituting "A tier one or tier two".

7. Regulation 7(3) is amended by deleting "the" before applicant's and substituting "a tier one and tier two micro-finance".

### **Granting of a licence**

8. Regulation 9(3) is repealed and substituted with the following regulation -

"A licence issued under subregulation (1) shall remain valid until revoked by the Commissioner as stipulated in the Act or surrendered by the licensee."

9. Regulation 9(4) is repealed and substituted with the following regulation -

"A licensee shall pay an annual licence fee as stipulated in schedule IV."

### **Consumer rights**

10. Regulation 11 is amended by inserting after subregulation (5) the following subregulations -

"(6) A licensee and its agents shall -

- (a) treat clients with ethical standards, honesty, fairness and respect;
- (b) ensure adequate safeguards to detect and correct corruption and abusive treatment by staff and agents;
- (c) ensure that its staff and agents who deal with clients do not retain identification documents of its borrowers during sales or collection processes;
- (d) not engage in false, misleading, or unethical advertising, sales practices or treatment of clients; and
- (e) not select or treat clients in a discriminatory way on the basis of personal characteristics or affiliations.

- (7) A licensee shall -
- (a) have fair and effective policies and procedures to inform clients on how they can complain to the licensee;
  - (b) address the complaint contemplated in (a) within 30 calendar days and disclose to the client how they can contact the Central Bank of Lesotho for assistance in resolving a complaint if the client is not satisfied with the outcome of the internal complaint handling process.”

## General

11. Regulation 15(6) is amended by deleting “, at the request of a borrower,”.

## Disclosure in credit agreements

12. Regulation 16 is amended by inserting “in a key facts section of the disclosure” before to the borrower.

## Notices to customers

13. Regulation 23(1) is amended by inserting “30 days in advance” between borrower, and in writing.

## Minimum capital requirements

14. Regulation 36 is amended by inserting the following new subregulations after subregulation (3) -

“(4) Tier one micro-finance licensee must maintain a minimum capital to total non-risk weighted assets of ten per cent.

(5) The Commissioner may require individual tier one licensees to have additional capital buffers as needs dictate.”

## Minimum liquid assets

15. Regulation 37(1) is repealed and substituted with the following regulation -

“37(1) A tier one licensee shall not, at any time, have less than fifteen per cent of its total liabilities in liquid assets or such other percentage as may be determined by the commissioner.”

16. Regulation 37(2) is repealed.
17. Regulation 37(3) is amended by deleting “(3)” and substituting “(2)”.

#### **Ownership and transfer of shares**

18. Regulation 40 is repealed.

#### **Transfer of assets and liabilities**

19. Regulation 44 is amended by inserting “For tier one and tier two micro-finance licensees,” at the beginning of the regulation.

#### **Board of Directors and its responsibilities**

20. Regulation 45(1) is repealed and substituted with the following regulation -

“The operations of a tier one and tier two licensee shall be directed by a board consisting of at least five directors, headed by a chairperson who is a non-executive director of the licensee.”

21. Regulation 45(2) is amended by inserting “tier one and tier two micro-finance” before licensee.

22. Regulation 45(3) is repealed and substituted with the following regulation -

“A person shall obtain prior approval from the Commissioner if he is to hold the position of a director in more than one licensee, unless the financial institutions are subsidiaries or holding companies of the financial institution.”

#### **Audit committee**

23. Regulation 46(1) is repealed and substituted with the following regulation -

“A board of directors of a tier one micro-finance licensee shall appoint at least three of its members to form an audit committee, of whom at least two thirds shall not be employees of the licensee and no principal officer of the licensee may be a member of the audit committee.”

#### **Credit committee**

24. Regulation 47(1) is repealed and substituted with the following regula-

tion -

“A board of directors of a tier one micro-finance licensee shall appoint at least three of its members to form a credit committee, of whom at least two thirds shall not be employees of the licensee and a principal officer may be a member of the credit committee.”

### **Insider lending**

25. Regulation 48(1) is amended by inserting “tier one or tier two micro-finance” before financial.

### **Finance manager**

26. Regulation 52(1) is amended by inserting “tier one and tier two micro-finance” before licensee.

27. Regulation 52(1) is amended by inserting the following new subregulation after subregulation (1)(b) -

“(1A) A tier three micro-finance licensee shall have a finance function as in subregulation 52(1)(b).”

28. Regulation 52(2) is amended by inserting “are only required for tier one and tier two licensees, and” before “shall”.

### **Risk management manuals and policies**

29. Regulation 53 is repealed and substituted with the following regulation -

“53. A tier one or tier two micro-finance licensees shall -

- (a) have a written risk management manuals and policies with regard to the screening, approval, monitoring and collection of loans which shall allow for sufficient flexibility to accommodate the special characteristics of the lending provided by the licensee, particularly its labour-intensive nature, the likely use of alternative collateral and the possible use of a group lending approach;
- (b) establish a definition of non-performance that takes into account the particularity of its type of lending practice by the licensee taking into account, the number of days of non-performance, missed payments and times rescheduled and the licensee is also required to have established

policies and procedures to manage the workout of bad loans;

- (c) establish a procedure for measuring, monitoring and controlling market risk including foreign currency risk if the licensee is exposed to foreign currency on an ongoing basis;
- (d) have a cushion in the form of a reserve or liquidity ratio requiring the deposit taking institution to hold unencumbered liquid assets against a percentage of deposits and a limit on concentrations from a single funding source; and
- (e) have strong internal controls and audit procedures that include tools to detect weaknesses in the lending methodology and compensation policies, as well as to identify and reduce frauds.”

#### **Engagement of external auditor**

30. Regulation 54(1) is repealed and substituted with the following -

“54. (1) A tier one or tier two micro-finance licensee shall have an external auditor, who shall not be a related party, to audit its accounts.”

#### **Filing of audited accounts and other information**

31. Regulation 61 is repealed and substituted with the following regulation -

“61. (1) Tier one and tier two micro-finance licensees shall annually file audited financial statements of assets and liabilities, income and expenses, together with the results of the operations and cash flow information for the period ended.

(2) A tier three institution shall annually file with the Commissioner, accounts of assets and liabilities, income and expenses for the period ended, and which have been prepared by an accountant.

(3) A micro-finance licensee shall annually file with the Commissioner, details of the shareholders of the licensee including their names and addresses.

(4) A tier one micro-finance licensee shall annually file with the Commissioner, the names of remuneration paid to the members of the



board of directors and the salary grid in use by the licensee.

(5) A tier one micro-finance licensee shall annually file with the Commissioner, the number of deposit holders, their average savings and the total amount deposits held in the case of deposit taking micro-finance services licensees.

(6) A licensee that is part of a group shall file both solo and consolidated annual audited financial statements with the Commissioner within three months of the end of the financial year, unless prior approval for an extension has been granted by the Commissioner."

### **Prudential reports**

32. Regulation 62(1) is repealed and substituted with the following regulation -

"62. (1) A licensee shall prepare and submit to the Commissioner, prudential reports in the form set out in schedule V of the Principal Regulations."

### **Transitional provision**

33. Regulation 71 is repealed and substituted with the following regulation -

"71. All licensed micro-finance institutions who were conducting a credit only or a deposit taking micro-finance on the date which these regulations become effective, shall within six months, apply for a new licence according to tiers in schedule VI and in accordance with these regulations."

### **Amendment of schedules**

34. Schedules IV, V and VI to the Principal Regulations are repealed and substituted with the following schedules -

**“SCHEDULE IV****License Fees for Application to Conduct Credit Only or Deposit Taking  
Micro-finance institution****(Regulation 9(1))**

<b>Business Type</b>	<b>Investigation Fee</b>	<b>Registration License Fee</b>	<b>Branch opening fee</b>	<b>Financial institutions Agent licensing fees</b>	<b>License fee</b>	<b>Annual Fee</b>
Tier Three Micro-finance Credit Only	M2,500.00	M2,000.00	M1,500.00	M2, 500.00	M2, 500.00	M2, 500.00
Tier Two Micro-finance Credit Only	M5,000.00	M5,000.00	M3,500.00	M3, 500.00	M5,000.00	M5,000.00
Tier One Micro-finance Deposit-taking	M15,000.00	M10,000.00	M7 500.00	M7 500.00	M15 000.00	M15,000.00

**SCHEDULE V (a)****Credit Risk Return**

*This return is to be completed as at the following dates: 31 March, 30 June, 30 September and 31 December by Tier 1 and 2 licensees only. The return must be signed by the Chairman and the Chief Executive Officer and returned to the Director of Other Financial Institutions Supervision, Central Bank of Lesotho within 10 days of the date to which it relates.*

Name of Credit Giving Institution:

Quarter ending:

Non- performing loans

Period	No	Balance	Percent	Provision
Less than 30 days			10%	
30 days but less than 90 days			20%	
90 days but less than 180 days			40%	
180 days but less than 270 days			60%	
270 days but less than 365 days			80%	
365 days and over			100%	
Total (1)				

Total loan balance outstanding excluding non-performing loans above:

1% of total loan balance (2):

Total provision required (1 +2):

Book Provision:

Opening balance as at	M
Additional amounts provided during the quarter	M
Bad debts written off to the provision during the quarter	M
Closing balance as at	M

Bad debts written off and recovered:

	Quarter ended		Financial year to date	
	Amount	Number	Amount	Number
Bad debts written directly to Income and Expenses	M		M	
Bad debts written off against provision	M		M	
Total bad debts written off	M		M	
Bad debts recovered	M		M	

## Loans restructured:

Report any loans where the terms and conditions have been formally changed such as extending the repayment period, reducing the repayments or reducing the interest rate:

	Quarter ended		Financial year to date	
	Amount	Number	Amount	Number
Loans restructured				
Loans with a non-standard interest rate: M				

## SCHEDULE V(b)

## Capital adequacy return

*This return is to be completed as at the following dates: 31 March, 30 June, 30 September and 31 December by tier 1 licensees only. The return must be signed by the Chairman and the Chief Executive Officer and returned to the Director of Other Financial Institutions Supervision, Central Bank of Lesotho within 10 days of the date to which it relates.*

Name of Credit Giving Institution:

Quarter ending:

## Capital

Fully paid up share capital	M
Debts where the rights of creditors are subordinated	M
Statutory Reserves	M
Other reserves	M
Unappropriated surplus	M
Surplus for the year to date	M
<b>Total capital</b>	<b>M</b>

Assets	Balance	Risk weighting	Risk weighted assets
Cash	M	0%	M
Deposits with CBL and government securities	M	0%	M
Deposits with other Banks	M	20%	M

Deposits with other NBFIs	M	50%	M
Loans net of any cash collateral held	M	100%	M
Office furniture, fittings & equipment net of accumulated depreciation	M	100%	M
Real estate & buildings	M	100%	M
All other assets	M	100%	M

Total intangible assets: M

This includes items such as computer software that has been developed for the institution and capitalized and formation expenses that have been capitalized and not yet fully amortized.

#### SCHEDULE V(c)

##### Liquidity return

*This return is to be submitted monthly as at the last day of each month by tier 1 Licensees only. The return must be signed by the Chairman and the Chief Executive Officer and returned to the Director of Other Financial Institutions Supervision, Central Bank of Lesotho within 10 days of the date to which it relates.*

Name of Credit Giving Institution:

Quarter ending:

Asset	Institution	Amount
Notes and coins		M
Government securities with 90 days or less to maturity		M
Deposits with Banks with 90 days or less to maturity:		M

	M
	M
	M
Deposits with NBFIs with 90 days or less to maturity	M
	M
	M
	M
	M
Total liquid fund	M
Total loans approved and due to be disbursed in the next 30 days:	M
Estimated payments to creditors in the next 30 days:	M
Total liquidity requirement (1+2):	M
Liquidity ratio (total liquid funds to liquidity requirements):	%

#### SCHEDULE V(d)

#### Statement of Financial Performance

*This return is to be completed as at the following dates: 31 March, 30 June, 30 September and 31 December by all tiers. The return must be signed by the Chairman and the Chief Executive Officer and returned to the Director of Other Financial Institutions Supervision, Central Bank of Lesotho within 10 days of the date to which it relates. (Amount in Loti)*

No.	Description	Loti	Other foreign Currencies into Loti	Total in Loti	Year to date in Loti
1.0	Interest Income	0.00	0.00	0.00	
1.1	Loan Income to customers			0.00	
1.2	Accounts with banks and financial institutions			0.00	
1.3	Securities and Investments			0.00	

1.4	Others			0.00
2.0	Interest Expenses	0.00	0.00	0.00
2.1	Customer deposits			0.00
2.2	Amounts owing to banks and other financial institutions			0.00
2.3	Borrowings			0.00
2.4	Others			0.00
3.0	Net Interest Income (3 = 1-2)	0.00	0.00	0.00
4.0	Non-Interest Income (Net)	0.00	0.00	0.00
4.1	Commission and fee expenses			0.00
4.2	Other non-interest income			0.00
5.0	Foreign exchange gain / (loss)			0.00
6.0	Other income			0.00
7.0	Operating Income (3+4+5+6)	0.00	0.00	0.00
8.0	Staff expenses			0.00
9.0	Admin and general expenses			0.00
10.0	Depreciation			0.00
11.0	Loan loss provision			0.00
12.0	Profit from operations (12= 7-8-9-10-11)	0.00	0.00	0.00
13.0	Grant income			0.00

14.0 Adjustments for subsidies			0.00
15.0 Profit before tax (15=12+13+14)	0.00	0.00	0.00
16.0 Tax on profit			0.00
17.0 Net profit for the period (17=15 -16)	0.00	0.00	0.00

(Prepared by) (Checked by) (Approved by)

Name  
Designation

### SCHEDULE V(e)

#### Statement of Financial Position

*This return is to be completed as at the following dates: 31 March, 30 June, 30 September and 31 December by all tiers. The return must be signed by the Chairman and the Chief Executive Officer and returned to the Director of Other Financial Institutions Supervision, Central Bank of Lesotho within 10 days of the date to which it relates.*

Assets	Loti	Rands	Other foreign Currencies into Loti	Total in Loti
Currency	-			
Cash and Cash Equivalent	-			
Cash in vault	-			
Deposits	-			
TRANSFERABLE DEPOSITS	-			
Transferable Deposits with Central Bank of Lesotho	-			



Transferable Deposits with Banks Lesotho	-	-
Transferable Deposits with Other Financial Institutions	-	-
<b>OTHER DEPOSITS</b>	-	-
Other Deposits with Central Bank of Lesotho	-	-
Other Deposits with Banks Lesotho	-	-
Other Deposits with Other Financial Institutions	-	-
Debt Securities	-	-
Marketable securities & short-term I nvestments	-	-
Loans	-	-
Loans to Customers	-	-
Households	-	-
Business	-	-
Other Loans	-	-
Total loans outstanding	-	-
Households	-	-
Business	-	-
Other Loans	-	-
Less : Loan loss reserve	-	-

Other Financial  
Assets

Prepayments and  
Other Receivables

Non Financial  
Assets

Long-term  
Investments

Property and  
Equipment

Land

Land at cost

Less : accumulated  
Depreciation

Buildings

Building at cost

Less accumulated  
depreciation

Other fixed Assets

Other fixed assets  
at cost

Less : accumulated  
depreciation

Other Assets

**Total Assets**

Customer's Deposits  
/Deposits

Saving deposits

Demand deposits

Accrued Interest on  
Transferable Deposits

Term deposits

Other deposits

Accrued Interest on  
Other Deposits

Deposits from Banks  
and Other Financial  
Institutions  
Banks

Other Financial  
Institutions

Other Payables

Accounts Payable

Accrued Expenses

Debt Securities

Long term Borrowing

Borrowings from  
Financial Institutions

Borrowings from  
Non-financial  
institutions

Deferred Grant  
Income

Suspense, Clearing  
and Inter-branch  
Account

Other Liabilities

<b>Total Liabilities</b>	-	-	-
Equity Accounts	-	-	-
Paid up capital			
Premium on share capital			
Donated capital			
Hybrid capital instruments			-
Reserves			
Retained earnings			
Year to date undistributed surplus			
<b>Total Equity</b>			
<b>Total Liabilities And Equity</b>			
<b>Check Digit - Assets should equal Liabilities + Capital</b>			
	<b>(Prepared by)</b>	<b>(Checked by)</b>	<b>(Approved by)</b>
<b>Name</b>			
<b>Designation</b>			

**SCHEDULE V(f)**  
**Schedule of Deposit Holders**

*This return is to be completed as at the following dates: 31 March, 30 June, 30 September and 31 December by tier 1 licensees only. The return must be signed by the Chairman and the Chief Executive Officer and returned to the Director of Other Financial Institutions Supervision, Central Bank of Lesotho within 10 days of the date to which it relates.*

Name of Institution:

For the year to date ending:

### Aging Analysis of Depositors

Number of Depositors	Amount Saved			
	3 Months	6 months	9 months	12 months

**Declaration:**

As an authorized representative of..... I declare that all information filled in this report is accurate to the best of my knowledge and belief. There has been no compromise of truthfulness or any code of professional conduct.

Signature

Date

### . SCHEDULE V(g)

#### Classification of Deposits by amount deposited

This return is to be completed as at the following dates: 31 March, 30 June, 30 September and 31 December by tier 1 licensees only. The return must be signed by the Chairman and the Chief Executive Officer and returned to the Director of Other Financial Institutions Supervision, Central Bank of Lesotho within 10 days of the date to which it relates.

Name of Institution:

For the year to date ending:

Table 1

Amount Deposited	Number of Deposits
------------------	--------------------

M1-M5,000

M5,001-M10,000

M10,001-M15,000

M15,001-M20,000

Above (Specify)

Table 2

**Aggregate Number of Depositors** **Total Amount of Deposits**

**Declaration:**

As an authorized representative of ....., I declare that all information filled in this report is accurate to the best of my knowledge and belief. There has been no compromise of truthfulness or any code of professional conduct.

Signature

Date

**SCHEDULE V(h)****Financial Inclusion Indicators**

*This return is to be completed as at the following dates: 31 March, 30 June, 30 September and 31 December by all tiers. The return must be signed by the Chairman and the Chief Executive Officer and returned to the Director of Other Financial Institutions Supervision, Central Bank of Lesotho within 10 days of the date to which it relates.*

<b>Access and Usage Indicators</b>	<b>Number</b>	<b>Amount/Value</b>
<b>Branches</b>	<b>0.00</b>	
<b>Loans/Borrowers</b>	<b>0.00</b>	<b>0.00</b>
Households	0.00	0.00
of which Male		
of which Female		
<b>Businesses</b>	<b>0.00</b>	<b>0.00</b>
Micro (1-2 Employees)		
Small (3-9 Employees)		
Medium (10-49 Employees)		
Big/Large (50+ Employees)		
<b>Loans/Borrowers by Economic Sectors</b>	<b>0.00</b>	<b>0.00</b>
Agriculture		
Mining and Quarrying		
Manufacturing		
Transportation		
Construction		
Wholesale and retail trade		
Tourism (Hotels and Restaurants)		
Other services/sectors		
<b>Loans/Borrowers by duration or repayment period</b>	<b>0.00</b>	<b>0.00</b>
a. (1 month to 3 months)		
b. (4 months to 6 months)		
c. (7 months to 12 months)		

- d. (1 year to 3 years)
- e. (4 years to 5 years)
- f. (5+ years)

<b>Additional Information on Loans</b>	<b>0.00</b>	<b>0.00</b>
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New loans (Disbursed during the reporting quarter)  
Loans Settled (During the reporting quarter)

Past Due (In arrears) Loans by 30 Days

Past Due (In arrears) Loans by +30 Days by less than 90 Days

Non-Performing Loans +90 Days

Loans written off

**Quality Indicators**

Highest Loan Amount

Lowest Loan Amount

Interest/cost of borrowing (in %)

Time to complete a borrowing transaction (in Days)

Total Number of Employees

**Complaints**

Number of complaints handled internally  
Number of complaints referred to the Central Bank of Lesotho

**Over-indebtedness**

Number of loans/Number of Loan Officers  
Maximum debt to income ratio for borrowers  
Non-performing loans/Total Loans

**Appropriate Pricing**

Maximum Loan Interest Rate  
Commission and Fee Income/Gross Income

**Client Growth**

Total Number of Active Clients





TOTAL M 0.00 M 0.00 M 0.00 M 0.00

**SCHEDULE VI**

Schedule VI – Definition of Tiers 1, 2 and 3 and the related requirements.

Criteria	Tier 1	Tier 2	Tier 3
Type	Deposit-taking	Credit-only Has issued a debt instrument on a public exchange, OR Has 10 million Loti or more in assets.	Credit-only – Loans
Licensed	Licensed	License materials prepared by licensee.	License materials prepared by licensee.
	one time licensing	one time licensing	One time licensing.
Funding	Equity, Debt, Deposits	Has issued debt on a public exchange, Or Equity	Equity. No debt can be issued.
CBL Reporting	Yes (Quarterly - advanced)	Yes (Quarterly - advanced)	Quarterly
Board	Yes	Yes	No
Finance function	Yes	Yes	Yes – could be outsourced
Business plan	Yes	Yes	No
Audit function	Yes	Yes	No
Compliance function	Yes	Yes	yes may outsource
External audit	Yes	Yes	Submission of financial statement prepared by certified accountant

Credit bureau reporting	Yes	Yes	Yes
Code of conduct (industry standard, complaint management system)	Yes	Yes	Yes
<b>Prudential</b>			
Minimal capital	Yes	No	No
Capital adequacy	Yes	No	No
Liquidity	Yes	No	No
LLP	Yes	No	No
Risk concentration	Yes	No	No
Insider lending	Yes	No	No
<b>Financial Consumer Protection</b>			
Sales practices & disclosure	Yes	Yes	Yes
Customer account handling and maintenance	Yes	Yes	yes
Privacy and data protection	Yes	Yes	Yes
Dispute resolution	Yes	Yes	Yes
Interest rate cap	No	No	No

**DATED:**

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

**NOTE**

1. Act No. 3 of 2012

**LEGAL NOTICE NO. 44 OF 2018**

**Local Government Service (Publication of Members of the Tribunal)  
Notice, 2018**

Pursuant to section 30(4) of the Local Government Service Act, 2008<sup>1</sup>, I,

**HABOFANOE SIXTUS LEHANA**

Minister responsible for local government and chieftainship, cause the names of the following members of the Local Government Service Tribunal to be published with effect from 1st June, 2018 for a period not exceeding five years:

- |    |                                  |   |             |
|----|----------------------------------|---|-------------|
| 1. | Adv. Vincent Moshoeshoe Mokaloba | : | Chairperson |
| 2. | Mrs. 'Mamahooana Nkeli           | : | Member      |
| 3. | Mrs. Mpepe Tlelima               | : | Member      |

**DATED:**

**HABOFANOE SIXTUS LEHANA  
MINISTER OF LOCAL GOVERNMENT AND CHIEFTAINSHIP**

**NOTE**

1. Act No. 2 of 2008

