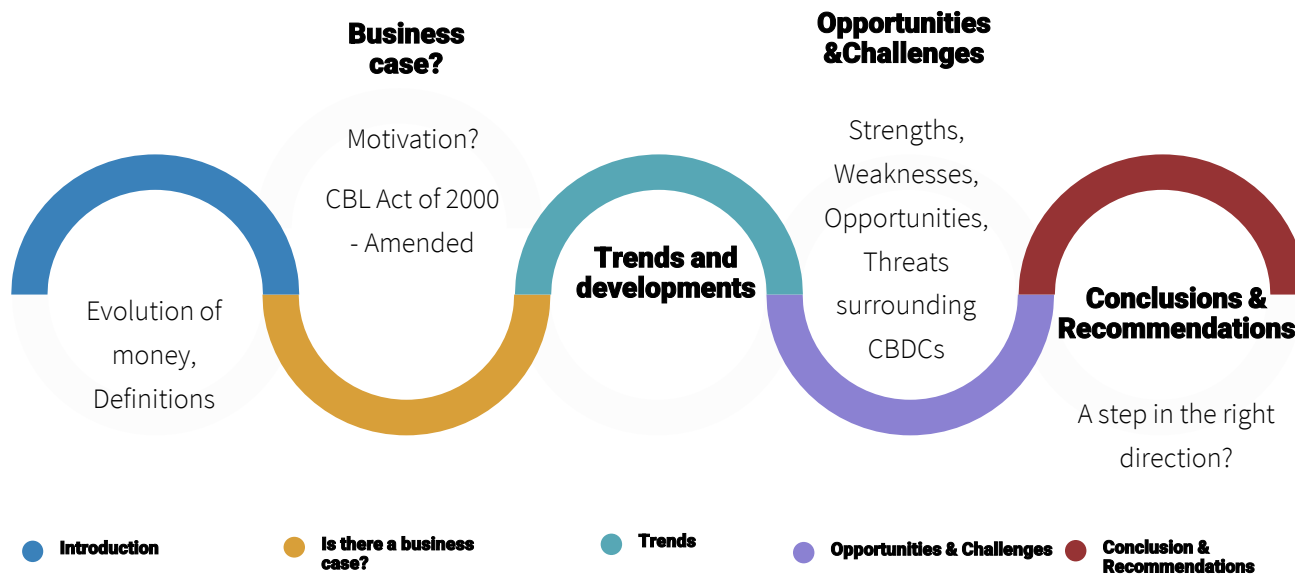




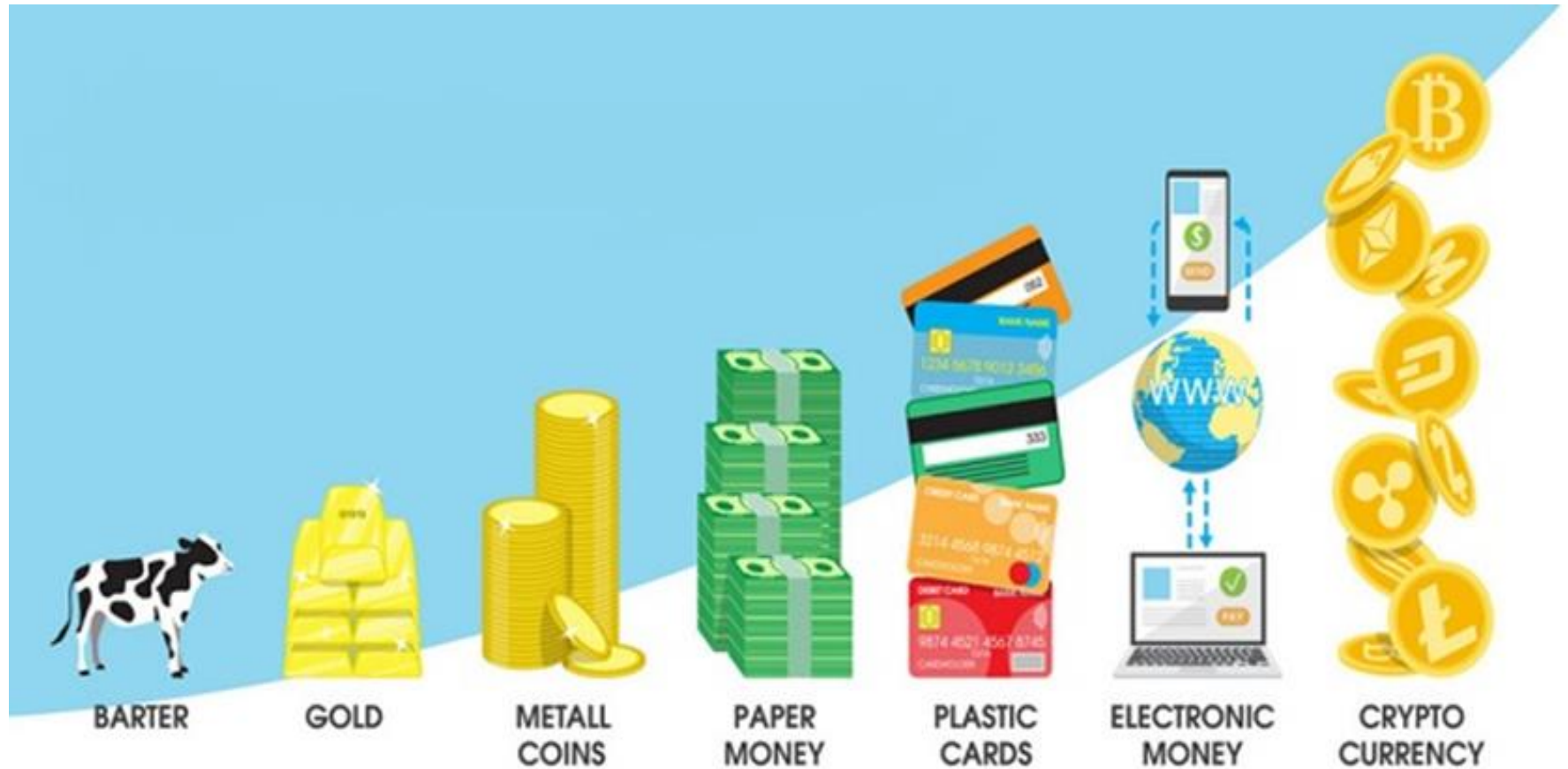
CENTRAL BANK OF LESOTHO

BANKA E KHOLO EA LESOTHO

ROAD MAP -DIGITAL CURRENCIES



EVOLUTION OF MONEY



INTRODUCTION: DEFINITION

- CBDCs are generally defined as a form of digital legal tender which is a **direct central bank liability**, denominated in an existing unit of account,

- Serves as both means of payment and store of value

Types of CBDCs

1. General purpose/**Retail CBDC**: distributed and made available to the general public and non-depository businesses (World Bank, 2022)

2. **Wholesale CBDC**: distributed exclusively to financial institutions and/or Payments Service Providers (PSPs) only within the jurisdiction of the Bank

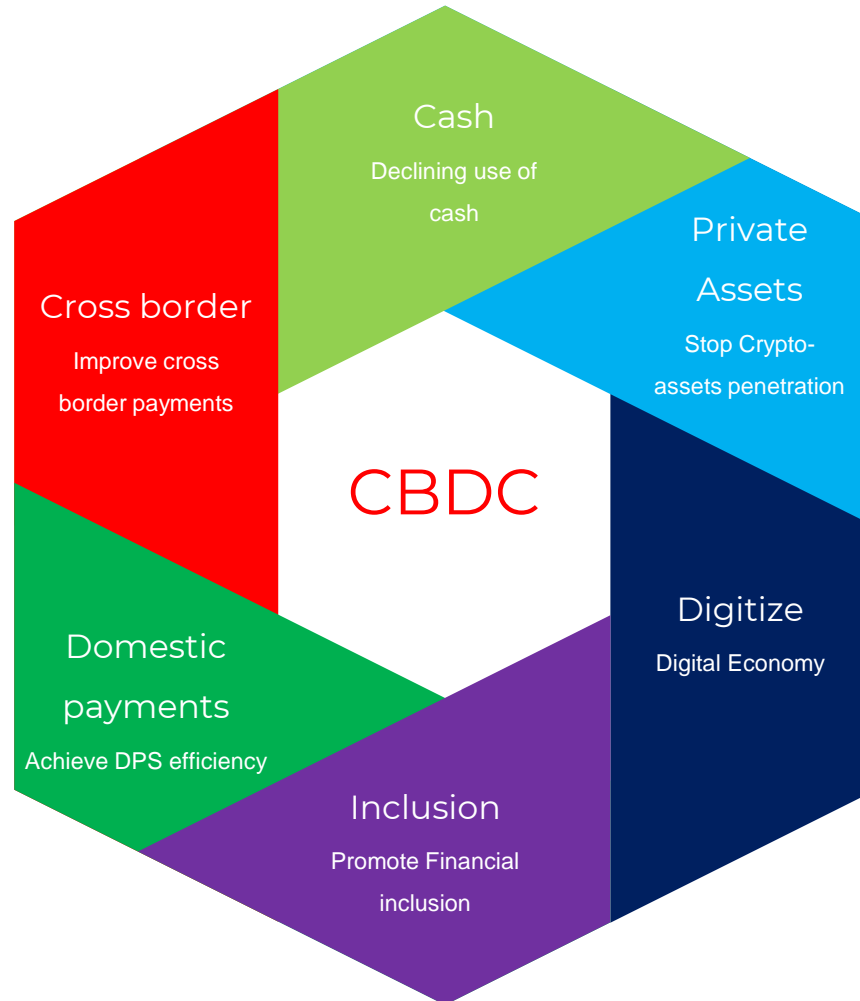


WHY INTEREST IN DIGITAL CURRENCIES

- Disruptive technologies in the Financial Technology.
- The role of Central Banks is being challenged.
- Privately issued currencies - The hub of illicit financial transactions.
- Central banks traditionally monopoly issuers of money.

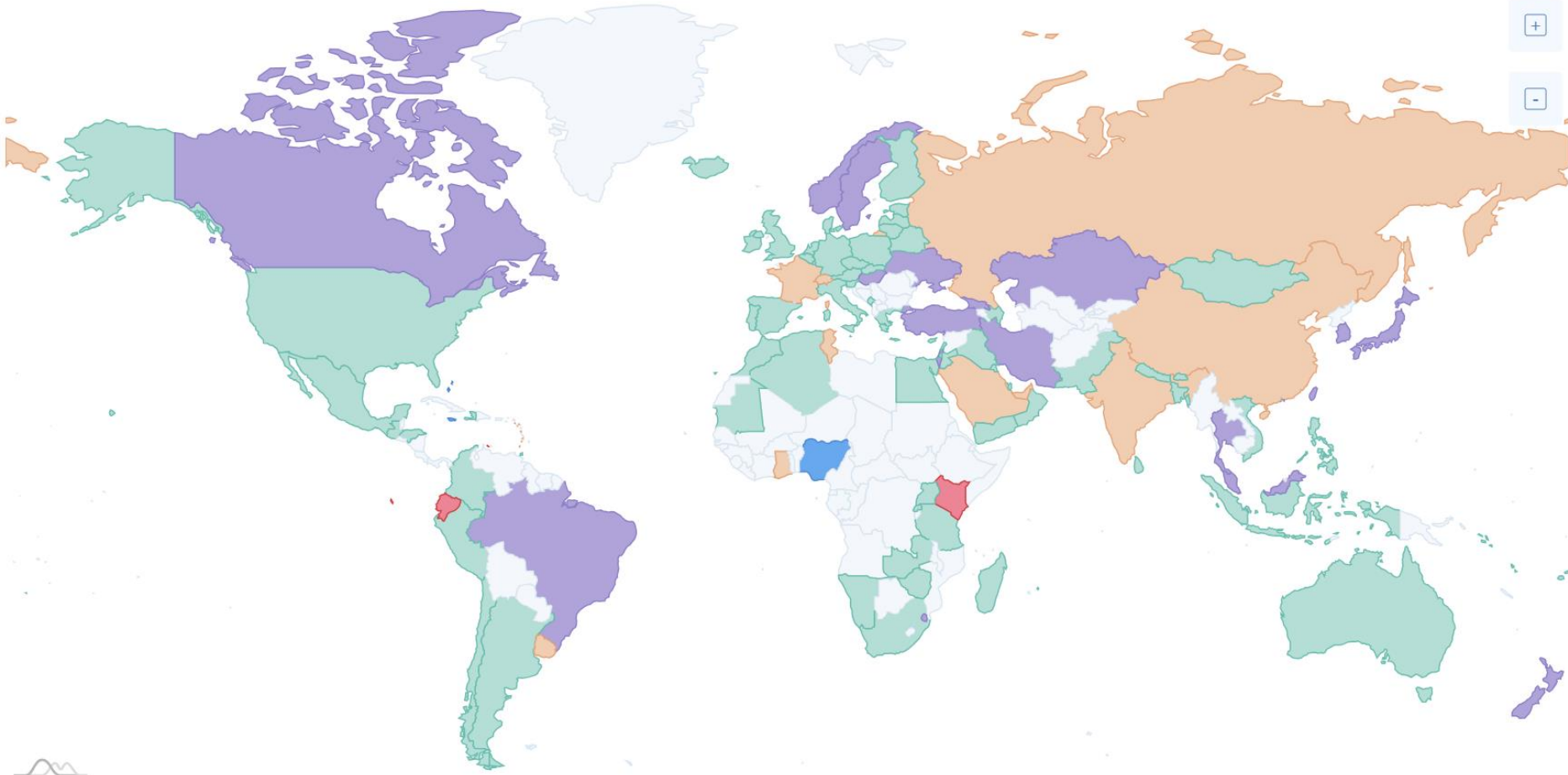


MOTIVATION



GLOBAL CBDC TRACKER

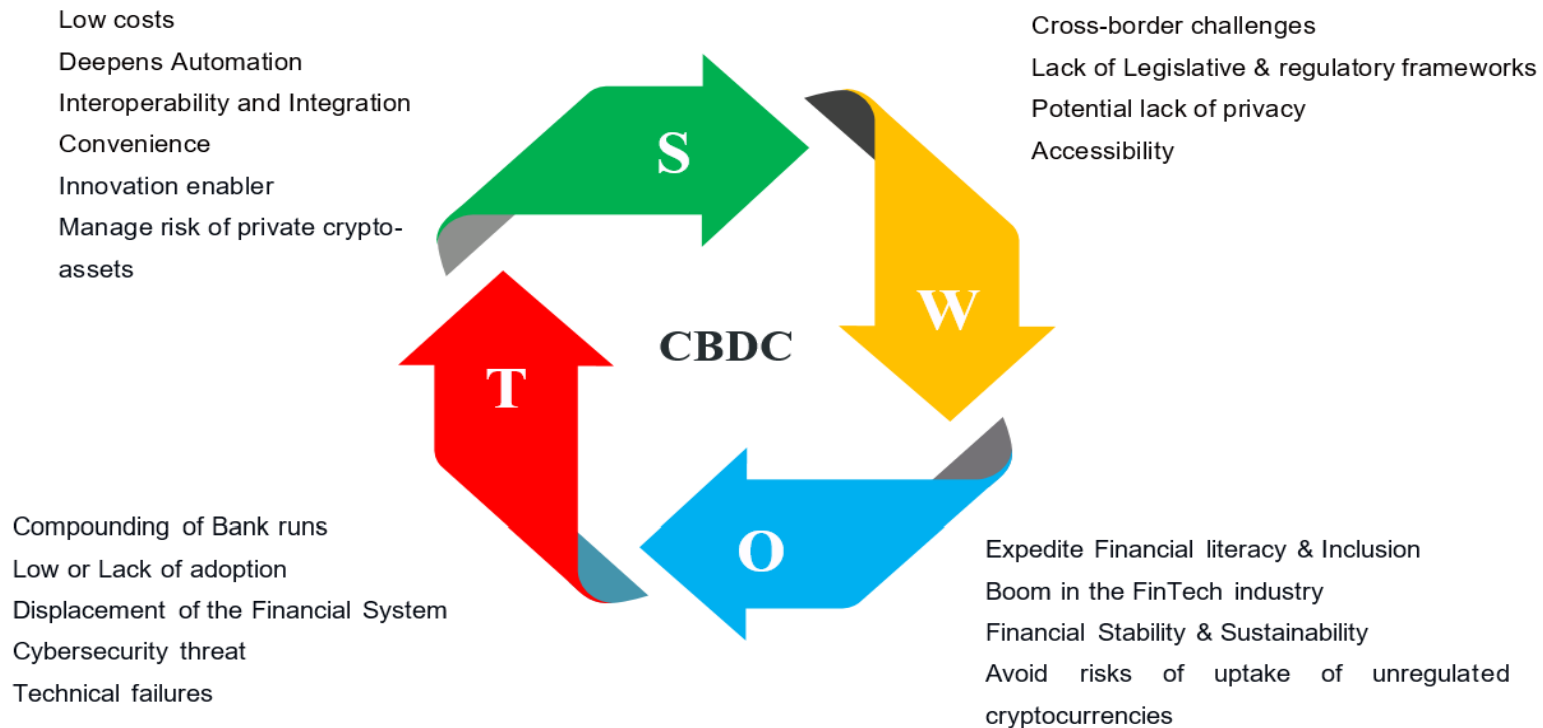
☒ Cancelled ☒ Research ☒ Proof of concept ☒ Pilot ☒ Launched [Show all](#)



CENTRAL BANK OF LESOTHO
BANKA E KHOLO EA LESOTHO



OPPORTUNITIES AND CHALLENGES



POLICY CONSIDERATIONS

- CBDCs exploration at early stage and uncharted territory,
- International knowledge sharing and experimenting hubs necessary,
- Increasing awareness and education to the public,
- For CBL there could be no business case for CBDCs domestically, but focus to be on improving current payments ecosystem.



THE ROADMAP - MSM

- Mandate of CBL
- Relevant Laws and Regulations
- CBL as a regulator
- Role of Maseru Securities Market
- Available instruments
- Challenges
- Opportunities
- Policy considerations



MANDATE OF CBL

- **Main Mandate of Price Stability:**
 - ✓ Prices of financial securities can change dramatically over a short time period in either direction;
 - ✓ Fluctuating share prices have direct effect on the wealth of investors and their consumption;
 - ✓ Therefore, central bank keeps an eye and control on prices in general, for the smooth operation of financial system.
- **Capital markets development**



FINANCIAL STABILITY

CENTRAL BANK OF LESOTHO
BANKA E KHOLO EA LESOTHO



RELENANT LAWS: REGULATORY

- ✓ Central Bank Act, 2000
- ✓ Local loans Act, 2001
- ✓ Local Loans (Government Treasury Securities) (Trading) Regulations, 2009
- ✓ Capital Markets regulations, 2014
- ✓ The Stamp Duty Act, 1972 and Stamp Duties (Amendment of schedule) Regulations, 2014
- ✓ Financial Institutions Act, 2012
- ✓ Insurance Act, 2014
- ✓ Companies Act, 2011
- ✓ Pensions Act
- ✓ Consumer protection Act
- ✓ Collective investment schemes regulations



CENTRAL BANK AS A REGULATOR

Central Bank regulates the financial sector:

- Banks
- Insurance Companies,
- Pension Funds
- Collective Investment Schemes
- **Capital markets (MSM, issuers, players, etc)**



ROLE OF MSM



It is anticipated that MSM will:

- ✓ Promote a culture of savings thereby accelerating capital formation;
- ✓ Promote industrial development in the country by facilitating transfer of savings to the most productive sectors ;
- ✓ Promote, develop and maintain a well regulated market for dealing in financial securities;
- ✓ Safeguard the interests of investing public;
- ✓ Promote good corporate governance, high accounting standards, transparency in the management of business etc

AVAILABLE INSTRUMENTS ON MSM

DEBT SECURITIES

- Currently Treasury Bills issued by CBL and Government for both fiscal and monetary purpose;
- Bonds issued by Government ;
- Maturities range from 3 year to 15 years;
- Offer investment opportunities to banks, insurers, pension funds and individual investors;
- Successful market with over 7 thousand investors and +M4 billion size

EQUITY SECURITIES

- One company RNB properties listed;
- Progress has been slow given that the initiative depends on companies' willingness to go public;
- Most companies have roots in SA and can easily source funding from SA;
- For domestic companies, control and fear of scrutiny a main challenge.

CHALLENGES

- Lack of critical mass due to small economic size
- A narrow and shallow investor base
- Nascent financial markets
- Low financial literacy among retail investors



OPPORTUNITIES

- Publication of pensions law and insurance regulations,
- Potential to offload state owned enterprises by gvt,
- Increasing awareness and growing interest by public,
- Funding option to traditional bank financing,
- Current investor portal to increase penetration and access, improving price discovery and policy transmission.



POLICY RECOMMENDATIONS

- Gvt to have a policy on capital markets,
- Policy on State-Owned Enterprises,
- Securities Law to be developed,
- Establishment of Capital Markets Authority,
- Continued public education and inclusion.



Thank you

