



**REPORT BY THE PORTFOLIO COMMITTEE ON THE
ECONOMIC AND DEVELOPMENT CLUSTER**

ON

Financial Lease (Amendment) Regulations, 2024

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1. INTRODUCTION

On the 24th July, 2024, the Hon. Minister of Finance and Development Planning tabled the Financial Lease (Amendment) Regulations, 2024 in the House. The Regulations were referred to the Portfolio Committee on the Economic and Development Cluster for consideration in terms of Standing Order No. 100 (3). The Committee invited the Hon. Minister of Finance and Development Planning to a briefing session in accordance with Standing Order No. 101 (2).

The Committee, therefore, presents this report to the House for consideration.

2. MINISTERIAL BRIEF

The Financial Lease (Amendment) Regulations, 2024 are made pursuant to Sections 27(1) and 71 of the Financial Institutions Act, 2012 and intend to amend the Financial Lease Regulations 2013 (“Principal Regulations”).

The Regulations are made to address the by gaps Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and met a requirement by Financial Action Task Force (FATF) on the legal framework of the Central Bank of Lesotho (Bank). It was identified that the Bank’s legal framework was in conflict with FAFT standards on combating Money Laundering and Terrorist Financing. The financial supervisors, therefore, must take necessary legal or regulatory measures to prevent criminals or their associates from holding or being the beneficial owners of a significant controlling interest, or holding management function in a financial leasing company.

The implementation of these Regulations will enable the Commissioner of Financial Institutions to monitor and supervise financial institutions as well as beneficial owners as per the FATF standards. This, therefore, will lead to a safe and sound development of the financial system, a conducive environment for

doing business in Lesotho and a guarantee that accountable institutions have prudential measures to help combat money laundering and terrorist financing.

The Regulations introduce a definition of “**beneficial owner**”, a definition which was erroneously omitted in the principal regulations. It further proposes that a beneficial owner of a financial leasing company should be “fit and proper” before a license can be granted.

The Regulations further make a provision for combating money laundering and financing of terrorism by introducing a new regulation. This regulation stipulates that a licensee should establish procedures to prevent money laundering and financing of terrorism that are scaled to the risk the license is exposed to. The licensee should also makes a risk assessment on a beneficial owner or shareholder, monitor transactions of a company, reports suspicious activities, and develops internal activities in order to combat money laundering and ensure that the foreign branches and subsidiaries of the company observe appropriate requirements for combating money laundering and terrorist financing.

3. RECOMMENDATIONS

The Committee recommends that these Regulations be allowed and this report be adopted by the House.

