



LESOTHO ASSET MANAGEMENT INDUSTRY REPORT

Comprehensive Landscape Analysis (2014-2024)

2.3M
Population 2024

1 USD = 18.6 LSL
End-2024

1. EXECUTIVE SUMMARY

Lesotho's asset management industry remains nascent but steadily evolving, anchored by regulatory oversight from the Central Bank of Lesotho (CBL). The CBL serves as both the capital markets and pensions regulator, ensuring prudent supervision, investment governance, and investor protection in the absence of a formal stock exchange. While the legal foundation for capital market development exists, the sector remains constrained by limited domestic investment instruments, low financial literacy, and a small investor base, which have collectively slowed market deepening.

The asset management landscape is dominated by a few regional and local firms, including Alliance Asset Management, Aluwani Fund Managers Lesotho, Mergence Investment Managers, Metropolitan Lesotho, and STANLIB Lesotho. Most assets are invested offshore, particularly in South Africa, given Lesotho's narrow capital market and limited domestic securities. Retail participation is negligible, hindered by high investment thresholds, limited product diversity, and minimal distribution channels.

Despite these challenges, Lesotho's asset management industry has significant growth potential. Strengthening regulatory capacity, enhancing data transparency, and introducing collective investment schemes, green investment products, and digital investment platforms could broaden participation and mobilize long-term savings. As the government continues to prioritize financial inclusion and capital market modernization, the integration of regional investment opportunities and gradual adoption of ESG and technology-driven practices will be key to unlocking sustainable development and financial resilience in the years ahead.

2. REGULATORY AND INSTITUTIONAL FRAMEWORK

Lesotho's asset management industry operates under a developing but well-defined regulatory structure, primarily governed by the Central Bank of Lesotho through the Central Bank (Capital Markets) Regulations, 2014. The CBL acts as the integrated regulator for non-bank financial institutions, supervising asset managers, pension funds, collective investment schemes, and related intermediaries. The overarching goal of this framework is to protect investors, ensure financial stability, and promote domestic capital market growth in alignment with Lesotho's National Financial Inclusion Strategy.

Main Pension Laws and Regulations
- Central Bank of Lesotho Act (2000) - Financial Institutions Act (2012) - Central Bank (Capital Markets) Regulations, 2014 - Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018

Scope of regulation

Area	Coverage (Yes/No)
Licensing and Registration	Yes
Investment Guidelines	Yes
Governance Standards	Yes
Disclosure and Communication	Yes
Dispute Resolution Mechanisms	Yes
Pricing Controls / Fee Caps	No
ESG Compliance in Regulation	No

3. MARKET STRUCTURE

Lesotho's capital market is primarily centered around the Maseru Securities Market (MSM), which serves as the main platform for securities trading in the country. The market is supported by a range of licensed intermediaries, including stockbrokers, broker-dealers, and investment advisors, whose primary role is to facilitate transactions and enhance market activity. By the end of 2023, the number of licensed broker-dealers had declined to two following the voluntary winding up of one firm, while the number of licensed investment advisors remained stable at three. These licensed players are critical in providing advisory services, executing trades, and promoting investor confidence in the MSM.

Despite the presence of these intermediaries, activity on the MSM has remained relatively subdued. Over the last three years, there was only one new listing, reflecting limited market depth and low trading volumes. The modest level of activity underscores the challenges facing the MSM, including a small investor base, limited liquidity, and the need for further development of market infrastructure and investment products. Strengthening the role of licensed intermediaries and encouraging broader participation are essential for fostering a more vibrant and efficient capital market in Lesotho.

4. FINANCIAL PERFORMANCE AND ASSET ALLOCATION

Lesotho's asset management industry is nascent, with most assets managed by a handful of regional and local institutions and a significant portion invested offshore, particularly in South Africa. Financial performance is stable but constrained by limited domestic investment options and low retail participation. Asset allocation tends to emphasize government securities, deposits, and conservative fixed-income instruments, reflecting a cautious approach in a shallow capital market. Opportunities for diversification remain constrained, though regulatory support for collective investment schemes and digital financial platforms offers potential for broader asset allocation and gradual performance improvement over time.

5. GENDER AND INCLUSIVITY

Lesotho's capital market sector has seen gradual steps toward gender inclusion, although disparities remain evident. Women hold a limited proportion of leadership and decision-making roles within licensed market players, including broker-dealers, stockbrokers, and investment advisory firms. While there is growing awareness of the importance of female representation, women's participation in senior management and governance positions remains below parity, highlighting ongoing structural challenges in the industry.

Several factors continue to limit gender inclusivity in Lesotho's asset management and capital market sector. These include a relatively low level of financial literacy among women, underrepresentation of women in investment and financial professions, and a lack of financial products specifically designed to address women's needs. National initiatives aimed at economic empowerment and entrepreneurship provide a supportive framework, but further targeted interventions, such as capacity-building programs, mentorship opportunities, and gender-focused financial instruments, are necessary to strengthen women's participation across the market.

6. ESG AND SUSTAINABILITY

Lesotho is gradually developing a framework to integrate ESG considerations into its financial markets, although formal national strategies are still in early stages. The CBL and the MSM are beginning to encourage ESG awareness among licensed market players, promoting responsible investment practices and transparency in corporate governance. These initiatives aim to align financial market activity with broader sustainable development objectives, including social inclusion and environmental stewardship.

ESG integration among capital market entities in Lesotho remains limited, with few dedicated green or sustainability-focused investment products available. While some leading institutions are exploring ESG disclosure and reporting, most market participants are still in the early stages of adoption. Challenges include low investor awareness, limited capacity for ESG data collection, and a lack of regulatory guidance on sustainable finance. Strengthening ESG frameworks, increasing market education, and promoting innovative sustainable investment products will be essential for deepening ESG adoption and positioning Lesotho's capital markets for sustainable growth.

7. TECHNOLOGY AND INNOVATION

Lesotho has been steadily advancing its financial technology infrastructure to improve efficiency, security, and accessibility within its capital markets. Central to this transformation is Lesotho Wire (LSW), the country's primary large-value payment and settlement system, which has been operational since 2006. LSW provides real-time and intraday settlement of financial transactions on a continuous and gross basis, maintaining system uptime of 99 percent in 2022. That year, the system processed 43,271 transactions valued at SLS 75.09 billion, reflecting a 13 percent increase in transaction volumes, while transaction values declined slightly by 3 percent. The system's robust performance ensures the reliable settlement of all large-value and time-critical payments, contributing to overall financial market stability.

Complementing LSW, other technological initiatives are driving digital innovation and financial inclusion in Lesotho. The Automated Clearing House (EFT) saw transaction volumes and values grow by 16 percent and 13 percent, respectively, reflecting broader adoption of electronic payments following the discontinuation of cheques in 2021. Mobile money platforms have also become increasingly dominant, particularly for cash-in, cash-out, person-to-person transfers, bill payments, and airtime purchases. The implementation of the National Payment Switch has further enhanced interoperability between mobile money issuers and card payment platforms, introducing instant payments and improving access to financial services. These advancements position Lesotho to modernize its capital markets, expand financial inclusion, and provide a foundation for emerging FinTech, RegTech, and AI applications in the financial sector.