BANK OF BOTSWANA

27 June 2025

MEDIA RELEASE

Response to The Patriot on Sunday Story Headlined "BoB Warns Banks"

The Bank of Botswana (Bank) refers to a newspaper article titled "**BoB Warns banks",** which appeared on The Patriot on Sunday of 22 June 2025, under the Business section, page 9. The Bank notes that the first part of the article is inaccurate and is misleading. The article is supposedly derived from the Monetary Policy Committee (MPC) media briefing held on 19 June 2025.

The article alleges that *"The Bank of Botswana's (BoB) Monetary Policy Committee (MPC) has cautioned the banks that they flouted regulatory framework by increasing borrowing rates without its consent as the regulator" and that "BoB Governor Cornelius Dekop has warned that banks are not self-regulated, adding that adjusting the rates equated to lawlessness."*

The Bank distances itself from the said statements and wishes to state the facts and clarify the context of the story. The context of the story is that the media had asked whether commercial banks had violated any regulatory requirements when they increased the prime lending rates (PLRs) in 2025, to which the Bank categorically stated that there were no regulatory violations in this regard. The Bank stated that while it understood that adjusting the PLR was within the ambit of the banks' authority, since its liberalisation in 2023, and that there were other factors that influenced lending rates, the Monetary Policy Rate (MoPR) remained the primary anchor of all market interest rates as it represents the Bank's posture on monetary conditions and inflation expectations. In response to a media enquiry regarding whether the banks are required to communicate the reasons for changes in interest rates to the public, it was clarified that while commercial banks had disclosed the rationale for increasing the PLRs to the Bank, they are also expected to communicate such changes transparently to their customers and the public. The Bank further indicated that it will take steps to ensure that banks comply with this requirement going forward.

During the media briefing, the Bank stated that the reasons for the banks' increases of the PLRs was a result of the pressures created by the heightened funding costs due to the tighter liquidity conditions. However, the Bank's concern was that the excessive increases in lending rates could undermine the current accommodative monetary policy stance, intended to bolster economic activity. The Bank wishes to assure the public that it is monitoring the liquidity situation in the market and the commercial banks' business conduct.

Evidently, during the MPC media briefing, the Governor announced measures undertaken by the Bank to address structural liquidity constraints. Amongst these, is the increase in the repurchase agreements (repos) tenure from up to 7 days to up to one month, in addition to other measures that have been taken since August 2024. This longer maturity decreases the frequency of commercials banks to come to the central bank for funding, which will in turn, lower the risk of funding disruptions.

The Bank wishes to remind the public that the setting up of the PLR was liberalised in April 2023, with the intention of fostering competition in the banking sector and ultimately further increasing the efficacy of the monetary policy. Commercial banks decisions to adjust their PLRs must reflect competitiveness and reasonableness, ensuring there is no collusion within the financial sector. The banks were required to submit to the Bank the related methodology and framework for setting the PLR, underlying assumptions and estimates of input factors as well as to demonstrate how the proposed adjustment is aligned to the methodology and framework of setting the PLR. Commercial banks have submitted their frameworks, hence the Bank's position that the commercial banks did not violate any regulatory requirement. However, the Bank noted the misalignment of the movement of the PLR and the Monetary Policy Rate (MoPR) on the basis of addressing liquidity challenges.

The Bank values the media as a key stakeholder in monetary policy dissemination and encourages the media to verify information before publishing, as inaccurate reporting could have dire consequences on the monetary policy credibility. Such misleading information could also impact investor confidence.

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