FINANCIAL STABILITY COUNCIL

7 November 2025

PRESS RELEASE

FINANCIAL STABILITY COUNCIL MEETS

The Financial Stability Council (FSC) held its second regular meeting for the year on 6 November 2025, where it concluded that Botswana's financial system remains resilient, and continues to provide financial services to households and businesses unconstrained. However, the FSC recognised the persistence of macro-financial risks, including subdued economic growth, liquidity distribution risks, climate-related risks, and sectoral vulnerabilities. The FSC observed that all of these require continued vigilance and, in some instances, proactive policy responses.

Since the last FSC meeting in May 2025, global financial conditions have eased modestly, with some recovery in asset prices. However, underlying vulnerabilities have intensified, elevating global financial stability risks. These include elevated asset valuations, rising sovereign debt burdens, and deepening fragilities in foreign exchange markets. The expansion of NBFIs into traditional credit intermediation channels has increased their exposure to market and liquidity risks, with potential spillovers into core banking systems. Therefore, financial sector regulators, globally, emphasise the importance of strengthened and coordinated cross-sector supervision to monitor and manage these interconnected risks.

Domestically, the FSC has judged that the banking and NBFI sectors remain safe and sound, with adequate capital buffers, operational liquidity, and sustained profitability. Consequently, macro-prudential indicators that gauge system-wide risks remain favourable, with a low non-performing loans (NPLs) ratio of 3.2 percent (June 2025) and a negative credit-to-Gross Domestic Product (GDP) gap. However, the FSC noted continuance of high sectoral credit concentration towards households, and the potential for risk spillovers from the sovereign and external sectors, as areas requiring close monitoring. Notably, the 2024/25 Household Indebtedness Survey indicates rising debt-service-to-income ratios for a significant proportion of households, particularly those reliant on unsecured credit. In the circumstances, credit risk could be amplified, under adverse economic conditions, threatening sectoral and overall financial stability.

The FSC also observed that the risk associated with the sovereign sector remains prominent as the economy continues to face headwinds due to weak and uncertain growth prospects, constrained fiscal space, and reduced external buffers due to weak diamond market. Hence, the resultant necessary fiscal adjustments, including reduced government spending have caused a squeeze in banking sector liquidity, leading to an increase in the cost of funding, and, in turn, rising lending interest rates. These vulnerabilities and risks are accentuated by funding concentration, strong interlinkages in the financial system and reluctance of commercial banks to use their relatively large foreign currency holdings to alleviate the liquidity challenges.

Against this background, the FSC acknowledged the recent decisions of the Bank of Botswana's Monetary Policy Committee, to address liquidity distribution challenges and to anchor the Pula exchange rate (market) [https://www.bankofbotswana.bw/press-releases]. The FSC further emphasised the importance of maintaining robust capital and liquidity buffers, enhancing stress testing frameworks, strengthening supervisory and macroprudential oversight. Relatedly, the FSC noted ongoing work to strengthen sectoral crisis preparedness, response mechanisms and resolution frameworks.

Additionally, the FSC welcomed regulatory progress aimed at deepening resilience. Thus, the commencement of the Banking Act, 2023, together with the Banking (Amendment) Regulations, 2025; Banking (Deposit-Taking Institutions) Regulations, 2025; and the establishment of the Banking Appeals Tribunal, will strengthen prudential oversight, clarify institutional mandates, and streamline supervisory processes for deposit-taking institutions and enhance dispute resolution mechanisms. Complementary regulatory reforms such as the Collective Investment Undertaking (Licensing, Recognition and Exemption) Regulations, 2024; Electronic Payment Services Regulations, 2024, and the NBFIRA Act, 2023, among others, are also critical for operational resilience and regulatory oversight of the financial sector. The FSC also noted ongoing efforts to strengthen the Anti-Money Laundering/Countering the Financing of Terrorism/Counter Proliferation Financing (AML/CFT/CPF) framework, which help safeguard financial integrity and confidence.

Overall, the FSC concluded that the domestic financial system remains resilient, supported by robust financial market infrastructures, adequate prudential standards and ongoing supervisory enhancements, as well as sound risk management practices. As such, the FSC judged the financial system to be unhindered in providing, innovating, and growing the range of financial services to support the economy, but emphasised continued regulatory collaboration, timely policy action and proactive risk surveillance to promote financial stability. The FSC reaffirmed its commitment to maintaining financial stability and supporting broader macroeconomic and structural transformation objectives. A detailed analysis of financial stability risks and developments is provided in the October 2025 Financial Stability Report.

The next regular meeting of the FSC is scheduled for May 2026.

Note to Editors

The FSC is a statutory apex body responsible for financial stability issues in Botswana, established by the Bank of Botswana (Amendment) Act, 2022. The Council consists of five members, being the Governor of the Bank of Botswana (Chairperson), Permanent Secretary of the Ministry of Finance; Chief Executive Officer, Non-Bank Financial Institutions Regulatory Authority (NBFIRA); Director General, Financial Intelligence Agency (FIA); and Director, DISB; while the Chief Executive Officer, Botswana Stock Exchange Limited is an observer, thus non-voting, member. The FSC convenes twice a year – in April/May and October/November. But when the need arises, including sudden and significant threats of a financial crisis, meetings can be held more frequently to discuss measures that need to be taken to restore financial stability. The Council has a Technical Working Group that convenes more often between Council meetings to conduct preparatory work.

Financial system: *refers to commercial banks, NBFIs such as micro lenders, insurance companies, fund managers and related entities, stockbrokers, as well as systems or entities that facilitate payments and settlement.*

Deposit insurance *is a safety net measure which guarantees repayment of protected deposits in the event of failure of a member institution that is licenced to operate banking or deposit taking business.*

For further information, please contact Dr Seamogano Mosanako, Head of Communications and Information Services, on mosanakos@bob.bw or telephone at +267 360 6083 or +267 360 6382 or +267 360 6315 or visit the Bank's website at www.bankofbotswana.bw.