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BANK OF BOTSWANA

PRUDENTIAL AUTHORITY AND PAYMENTS OVERSIGHT DEPARTMENT

GUIDELINES ON MERGERS AND ACQUISITIONS

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1. AUTHORITY, PURPOSE AND SCOPE

(a) Authority

1.1 These guidelines are issued by the Bank of Botswana (Bank), pursuant to its authority set forth in Section 4C(1) of the Bank of Botswana (Amendment) Act, 2022, read with Section 20 of the Banking Act, 2023 (Banking Act).

(b) Purpose

1.2 The purpose of these guidelines is to set out the criteria and procedure for consideration of mergers or acquisitions of financial institutions licensed and supervised by the Bank, consistent with the requirements of principles 6 and 7 of the Basel Core Principles for Effective Banking Supervision (core principles).

(c) Scope

1.3 These guidelines shall apply to financial institutions licensed and supervised by the Bank under the Banking Act and any foreign entity intending to acquire, or merge with, an existing local financial institution. The guidelines specify application procedures, appraisal criteria and minimum conditions to be fulfilled by financial institutions seeking to merge, acquire or transfer assets and liabilities.

2. DEFINITION OF THE TERMINOLOGY USED IN THE GUIDELINES

2.1 In these guidelines, the following definitions shall apply:

(a) **Acquirer:** a buyer, that is, a legal entity that proposes to acquire all or a large part (that is, at least 10 percent) of the assets or shares of a financial institution licensed and supervised by the Bank.

(b) **Acquisition:** the Bank has adopted the definition in Section 45(2) of the Competition Act, 2018 (Competition Act), which states that, "acquisition of control over the whole or part of another enterprise may be achieved in any manner, including (a) the purchase or lease of shares, an interest, or assets of the other enterprise in question; or (b) amalgamation or other combination with that enterprise".

(c) **Bank:** the Bank of Botswana established under the Bank of Botswana Act (Cap. 55:01).

(d) **bank:** means a person, including a subsidiary of a foreign bank, which is licensed under the Banking Act to engage in banking business, and does not include the central bank.

(e) **Banking Act:** the Banking Act, 2023.

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(f) **Deposit-taking institution** means a company, other than a bank, which is licensed under the Banking Act to engage in the business of accepting deposits from members of the public

(g) **Investment:** an asset or item acquired with the goal of generating income and/or capital gains.

(h) **Major acquisition**: when a financial institution acquires at least 10 percent of the issued common shares of an entity as provided for in the Banking Act.

(i) **Merger:** at least two financial institutions combining to form a new legal entity, which may retain the identity of one of the entities.

(j) **Public interest:** generally refers to that which is beneficial (welfare or well-being) to the public.

(k) **Resultant financial institution:** a financial institution resulting from a merger or acquisition approved by the Bank.

(l) **Turnover**: is the total sales made by a business in a certain period.

3. NOTIFICATION OF A MERGER OR AN ACQUISITION AND APPLICATION

(a) Notification

3.1 The management, as authorised by the board of directors (directors) and shareholders, of a licensed and supervised financial institution seeking to merge with or acquire shares or assets of another financial institution shall notify the Bank in writing of the intention to do so, at least 30 days, prior to submitting an application to merge with or acquire another financial institution. Further, a financial institution proposing a merger or acquisition should notify the Competition and Consumer Authority (CCA), the custodian of the competition law in Botswana, as such. This is intended for the CCA to guide the applicant through its processes regarding the sought merger or acquisition. In addition, a financial institution proposing a merger or acquisition should notify other relevant regulatory authorities of its intention to do so.

3.2 Within 30 calendar days of receiving and verifying that an application is complete, the Bank shall inform the Minister responsible for Finance of the application for a merger or acquisition. In addition, the Bank shall cause the publication of the application to merge or acquire in the Gazette, and in at least two newspapers of general circulation in Botswana and on the Central Bank's website.

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(b) **Application**

Application fees

3.3 An application should be submitted together with a non-refundable fee of P15 000 for banks and P5 000 for deposit-taking institutions. No application will be processed before payment of the application fee.

Timeframe for processing merger or acquisition applications

3.4 The application for a merger or an acquisition shall be processed within 90 days of the receipt of the application, subject to receipt of all the necessary information. The processing period may, however, be extended by up to 45 days if the complexity of the application so requires. When satisfied with the requirements, the Bank shall grant a conditional approval of a merger or acquisition pending CCA's decision on the same proposal and notify the applicant in writing.

(c) Operations of Financial Institutions Before and After Approval of a Merger or an Acquisition

Operations of financial institutions in the process of a merger or an acquisition

3.5 Financial institutions that have applied for a merger or an acquisition shall continue to transact business in licensed names and await the Bank's decision on the application.

Operations of financial institutions following approval of a merger or an acquisition

3.6 After a merger has been approved, the Bank shall issue a new licence for the resultant financial institution, having satisfied itself that all licensing conditions have been met. In the case of an acquisition, however, a new banking licence shall be issued only if the acquirer changes names.

3.7 For merging financial institutions licenced by the Bank, their licences must be surrendered to the Bank as prescribed under Section 15(4) of the Banking Act.

Responsibility

3.8 It shall be the responsibility of the directors to ensure that financial institutions intending to merge, acquire or transfer assets and liabilities, satisfy the requirements of these guidelines.

4. THRESHOLDS FOR MAJOR ACQUISITIONS

4.1 The Bank considers an acquisition to be major when a financial institution acquires at least 10 percent of the issued ordinary shares of an entity. Any acquisition of less than 10 percent of the issued ordinary shares of an entity should comply with the requirements of the Guidelines on Significant Shareholding in banks and deposit-taking institutions.

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4.2 For entities that meet the 10 percent threshold in 4.1, the Bank shall assess applications for acquisitions only if the value of the assets or turnover of the target institution is at least P10 million. In the case of a merger, for applications to be considered, the value of combined assets of the entities involved should be at least P20 million.

5. REQUIREMENTS IN AN APPLICATION FOR A MERGER OR AN ACQUISITION

5.1 In line with core principle 7, the Bank shall reject or approve and impose prudential conditions on major acquisitions or investments by a financial institution, including the establishment of cross-border operations, against prescribed criteria and determine the extent to which corporate affiliations or structures expose the financial institution to undue risks or hinder effective supervision. Further, the Bank shall determine whether a financial institution has the adequate financial, managerial and organisational resources to fund and manage the acquisition.

(a) Documentary Requirements

5.2 All financial institutions proposing a merger or an acquisition will be required to submit a due diligence report signed by directors of the financial institutions involved to the Director responsible for banking supervision, Bank of Botswana, Private Bag 154, Gaborone, and attach all the required documents. The report should at a minimum contain the following information:

(i) a copy of the agreement on the proposed merger or acquisition and any related transaction documents, including the shareholders' consent to the proposed merger or acquisition;

(ii) certified board resolutions from each of the involved institutions, approving the proposed merger or acquisition;

(iii) audited financial statements of the most recent three years for all financial institutions involved in the merger or acquisition, which meets the Bank's minimum disclosure requirements as set out in Section 32 of the Banking Act, and a copy of consolidated accounts of institutions duly certified by an independent firm of auditors as at the date of application for approval;

(iv) a list of substantial changes to the statement of financial position, income statement and cash-flow statement since the date of the latest audited financial statements;

(v) a statement of the purpose, nature, objectives, structure and financing arrangements of the merger or acquisition, including any plan to raise additional equity or debt for the merger or acquisition, as well as the capital structure of the resultant financial institution;

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(vi) financial projections, including underlying assumptions for the projected financial statements for the first five years of operation after the merger or acquisition;

(vii) a detailed business plan of the resultant financial institution for the next five years of operation;

(viii) a schedule of projected regulatory capital for the first five years of operation;

(ix) proposed details of shareholding structure, curriculum vitae of directors and senior management, and their business affiliations, in line with the Guidelines on Corporate Governance for Banks and Deposit-taking Institutions Licensed and Supervised by the Bank of Botswana;

(x) corporate governance arrangements, including board and management committees that will come into existence, their composition, responsibilities and reporting obligations for the resultant financial institution, in line with the Guidelines on Corporate Governance for Banks and Deposit-taking Institutions Licensed and Supervised by the Bank of Botswana;

(xi) the proposed branch network, including a proposed list of all offices that will be closed, retained as branches, including the head office;

(xii) a description of how the proposed merger or acquisition will meet the convenience and needs of the public;

(xiii) the proposed arrangements regarding personnel policies, retrenchment, recruitment and redeployment of citizen employees;

(xiv) a description of the integration of the operations of the constituent financial institutions;

(xv) evidence of the ability of the major shareholders of the resultant financial institution to provide additional capital should the resultant financial institution experience financial distress or inadequate capital to meet regulatory requirements;

(xvi) due diligence covering all areas of any possible legal matters that may face the resultant financial institution;

(xvii) the proposed date of commencement of the operation of the new resultant financial institution;

(xviii) the proposed organisational arrangement of the resultant financial institution showing functional units and reporting structures;

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(xix) a letter of confirmation from the home supervisory authority if one of the merging financial institutions is a foreign institution, indicating approval of, or no objection to, the merger or acquisition;

(xx) a statement of commitment to observance of domestic banking legislation and any relevant other laws; and

(xxi) a report showing an analysis of the likely effects of a proposed merger or acquisition on competition in the financial sector.

In addition to the information in (i) to (xxi), the Bank may call for any other information it deems necessary to complete the assessment of the application.

(b) **Registration of Trade Name**

5.4 Financial institutions proposing to merge should first seek approval from the Bank of the name under which they intend to operate where a name change is required. They should then reserve the name at the Companies and Intellectual Property Authority.

6. CRITERIA FOR ASSESSING MERGERS AND ACQUISITIONS

6.1 The Bank shall not approve the application for the merger or acquisition unless satisfied that

(a) the merger or acquisition shall be in the public interest and make a worthwhile contribution to Botswana's banking system and, in general, effective financial intermediation or provision of financial services;

(b) the merger or acquisition is viable as determined from an assessment of the detailed business plan for the resultant financial institution;

(c) the financial assessment indicates that the acquirer can pay the acquisition price and remain compliant with regulatory capital requirements;

(d) projected regulatory capital for the first five years of operation of the resultant financial institution is sufficient;

(e) major shareholders of the resultant financial institution have displayed the capacity, commitment and willingness to provide additional capital, should a bank or banking group experience financial difficulties;

(f) the home supervisory authority has approved the merger or acquisition if one or more of the merging financial institutions are a foreign institution;

(g) the business applicants propose to conduct is that of a financial institution licensed and supervised by the Bank, such that the resultant financial institution will be effectively supervised;

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(h) any person being appointed to the senior management or directorate is fit and proper in accordance with the fit-and-proper test prescribed in the Guidelines on Corporate Governance for Banks and Deposit-taking Institutions Licensed and Supervised by the Bank of Botswana;

(i) the proposed merger or acquisition will contribute to the preservation of healthy competition in the financial system;

(j) has conducted legal due diligence on the resultant entity on possible legal implications or challenges;

(k) there is statement of commitment to observance of domestic banking laws and any relevant other laws after a merger or an acquisition;

(l) transfer of assets and liabilities to another financial institution has been approved by the Bank;

(m) the resultant financial institution, or in the case of a transfer of assets and liabilities, the financial institution taking over such assets and liabilities shall have the same rights and be subject to the same obligations as those applicable before the merger or acquisition or transfers;

(n) the resultant financial institution's systems and procedures, including risk management systems, are adequate to ensure compliance with the Banking Act and Regulations, and that the personnel overseeing and operating the systems and procedures are competent to do so.

7. APPEAL

7.1 The applicant for a merger or acquisition may, within 30 days after receipt of a notice of rejection of such application, appeal the decision of such denial to the Appeals Tribunal, as may be prescribed by Section 92 of the Banking Act.

Issued on: 02 November 2026

DIRECTOR
PRUDENTIAL AUTHORITY AND PAYMENTS OVERSIGHT DEPARTMENT