

GOVERNMENT NOTICE No. 118 published on 11/4/97
THE BANKING AND FINANCIAL INSTITUTIONS ACT, 1991
(No. 12 OF 1991)

REGULATIONS

Made under section 51(1)

THE BANKING AND FINANCIAL INSTITUTIONS REGULATIONS, 1997

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THE BANKING AND FINANCIAL INSTITUTIONS ACT, 1991

**(No. 12 of 1991)
REGULATIONS**

Made under section 51(1)

THE BANKING AND FINANCIAL INSTITUTIONS REGULATIONS, 1997

**PART I
PRELIMINARY**

1. These Regulations may be cited as the Banking and Financial Institutions Regulations, 1997.

Citation

2. These regulations shall apply to all licensed banks and financial institutions.

Application

3. In these regulations unless the context requires otherwise

Interpretation

"the Act" means the Banking and Financial Institutions Act, 1991.

Act No. 12 of 1991

Banking and Financial Institutions Regulations

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- Act No. 1 of 1995
- “the Bank”, “bank” and banking business” have the meaning ascribed to them by the Bank of Tanzania Act, 1995;
- “conflict of interest” means a situation or circumstance whereby a staff or board member who is in a position where privileged information obtained in the line of his duty could be used to further personal or other business interests;
- “core capital” may be used interchangeably with ‘tier 1 capital’ to mean permanent shareholders’ equity in the form of issued and fully paid-in shares of common stock, non-redeemable and non-cumulative preferred stocks, capital grants plus all disclosed reserves, less goodwill or any other intangible assets;
- “director” means any fit and proper person by whatever title or designation known, carrying out or empowered to carry out functions in relation to the direction of a bank or financial institution which are substantially the same as those carried out by a member of the board of directors of a company incorporated under the Companies Ordinance;
- “disclosed reserves” include all reserves created or increased through share premiums, retained earnings (after deducting all expenses, provisions, taxation, and dividends), and general reserves, if such disclosed reserves are permanent and unencumbered and thus able to absorb losses;
- “financial institution” means any person authorised by or under the Act to engage in banking business not involving the receipt of money on current account subject to withdrawal by cheque;
- “financial intermediation” means the lending, investing or placement of funds and/or securities received, acquired or obtained from the general public or from a well-defined group of persons by way of deposits, borrowings, contributions, premium, or in a fiduciary capacity, either for the account of the person receiving such funds or securities or for the account of others;
- “fit and proper person” means a person with the attributes required of a member of the board of directors and management of a bank or financial institution as per the criteria set out in the First Schedule hereto;
- “Licensed institution” means any institution which has been licensed by the Bank to carry on banking business;
- “person” includes both a natural person and juridical person;
- “related individuals” shall include any member of a family and a person shall be deemed to be a member of the family if he is the parent, spouse, brother, sister, child, uncle, aunt, nephew, niece, step-father, step-mother, step-child, adopted child of the individual concerned and in case of an adopted child, his/her adopted or adopters;

"subsidiary" means a company of which more than fifty percent (50%) of the total issued and outstanding shares entitled to vote is directly or indirectly owned, controlled, or held with power to vote, by another company called the parent company.

"supplementary capital" may be used interchangeably with "tier 2 Capital" to mean general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialise, subordinated debts, cumulative and redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank;

"subordinated debt" means a debt with original fixed maturity of not less than five (5) years and satisfying the Bank's condition as may be determined by the Bank from time to time, for inclusion as Supplementary (tier 2) capital.

"total capital" means the sum of core capital and supplementary capital.

PART II

CRITERIA FOR LICENSING

4. The Bank intends to follow the broad criteria prescribed in subsection (3) of section 7 of the Act allowing the Bank to investigate and scrutinise applicants to determine their financial soundness, historical background, character and experience of shareholders, members of the board of directors and management, soundness of business strategies, plans and policies, adequacy of their capital structure and their likely contribution to economic development of Tanzania.

Statutory
requirements

5.—(1) The Bank shall investigate and scrutinise the financial capacity of applicants for a licence to undertake banking business. The soundness of an applicant's financial position, their business affiliates, and financial condition of those businesses shall be measured not only on levels of capital as shown on balance sheets but also on the potential amount of financial support that may be made available should the licensed institution require capital injection for whatever reason, including losses in its operations.

Evidence
of applic-
ant's
financial
position

(2) The Bank shall assess the ability of the applicants and their business affiliates to pay their current obligations from their income, reasonability of valuation they assign to their assets, and their networth in relation to other liabilities.

(3) It shall be the interest of the Bank to establish that shares in a licensed institution are not purchased with borrowed money but shall be purchased out of personal networth. Promoters and subscribers of shares shall have to indicate and declare sources of funds for buying shares to the Bank.

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Integrity
in financial
and
business
dealings

6. The history of the applicant(s) shall be reviewed primarily to determine their reputation. If the applicant has banking operations experience, his reputation, financial soundness and the integrity of those operations shall be of interest to the Bank. With regard to applicants who do not have banking operations in place, the proposed ownership shall be of a good reputation for financial soundness and integrity in past and present business practices.

Character
and ex-
perience
of pro-
posed man-
agement
team

7.—(1) The Bank shall make an assessment as to whether the proposed members of the board of directors and senior management of a proposed institution are fit and proper persons. The quality and capability of board members and management shall be the most essential ingredient for a successful banking operation. Accordingly, applications for a banking licence shall undergo close scrutiny as to the character and experience of their proposed management and board members. The aforesaid assessment shall be conducted in accordance with the criteria set out in the First Schedule hereto.

(2) The Bank shall evaluate and determine to the extent possible, that the proposed members of the board of directors and senior management team has the experience and ability to manage fund, credit evaluation, collection procedures, proper accounting systems, effective internal control, audit programmes and management information systems these essential areas. As such, the Bank will review the curriculum vitae or personal information/history of the proposed board members and management team. The Bank reserves the right to interview the proposed board members and the management team and may enquire as to past performance and reputation, skills including fund management, credit evaluation, collection procedures, proper accounting systems, effective internal control, capable internal audit programmes, and effective management information systems.

(3) Assessment shall be made by the Bank regarding formal education, professional qualifications, work experience, reputation, criminal liability record and conflict of interest.

(4) The Bank shall require that board members and management team to comprise people of sufficiently strong character who are able to oversee the licensed institution's operations effectively by having the requisite to banking business.

(5) The Bank shall further assess whether individuals proposed as board members and the management team have the necessary administrative, organisational and decision-making skills, and ability to demonstrate reliability and sound character.

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8. Every applicant of a proposed institution shall provide to the Bank assurance that the proposed paid-in capital shall be fully paid in prior to the Bank's issuance of a permit or an authority to commence banking operations. The source or origin of the paid-in-capital shall be disclosed to the Bank.

Availability and source of Proof of Capital

9. Every application shall convey to the Bank intentions with regard to contributions toward the country's economic development. Paragraph (b) of sub-section (3) of section 7 of the calls for the Bank of take into account the extent to which the lending policies of the applicant are designed to promote directly, or indirectly the financial or economic activities in the rural sector including rural-based industries, mining and tourism. The Bank shall take into consideration applicants wishing to conduct banking business in Tanzania must recognise that the nation's economy is primarily rural and agricultural in nature and licensed institutions shall be expected to support rural based activities for the countries economic growth and development.

Contribution to the National economy

10. Every applicant shall without failure disclose fully the intended business activities over a reasonable period of time. In addition to the traditional banking business of deposit mobilisation and lending the funds so mobilised to finance viable projects and other productive uses, every applicant shall clearly state to the Bank additional financial services it shall provide in Tanzania and clearly define and explain what financial products intended to be provided or introduced and the time and reason for such new services will be of benefit to the Tanzania public.

Disclosure of intended activities and financial services

11. Every applicant shall explain the mode of imparting of banking skills and expertise of staff to be developed. Training programme shall indicate specific time frame and shall be submitted together with the application. The Bank shall request for clear plans and strategies on mode, time and contents of the extent to which Tanzanian staff shall occupy positions of senior officer rank in the licensed institution.

Training

12.—(1) Every applicant shall ensure the existence of healthy and profitable licensed institutions which strengthens public confidence in the financial system by carefully reviewing their potential banking prospects in Tanzania; the application shall include details of feasibility studies, projected business plans and projected balance sheets, Income Statements and cash flow statements.

Submission of Feasibility studies, business plans and projections

(2) Minimum business plan shall have the following requirements,
(a) a clear and well documented lending or loan policy with a listing and description of the services and products the proposed institution shall offer initially or in future;

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- (b) a description of the types of information technology tools to be used in the operations of the institution and proposed future investment;
 - (c) the number of employees, job descriptions of the principal positions, and an organisation chart;
 - (d) a description of the internal control procedures that the licensed institution shall implement to minimise imprudent behaviour, conflicts of interest, and fraud in of the institutions business;
 - (e) a narrative description of the shareholders, board members and senior management's strategy, for the successful operation of the licensed institution;
 - (f) plans and strategies on:
 - (i) Supporting rural based activities;
 - (ii) Skills, professional and technical development plans for Tanzania Staff as part of it's skills improvement programme;
 - (g) sources of funds of shareholders and subscribers;
 - (h) a description of the sound accounting system and management information system for producing accurate and timely financial statements and returns to the Bank;
 - (i) a four year financial projection, including Balance Sheet, Income Statement and Cash Flow Statements.
- (3) Guidelines for preparing business plans and financial projections are provided in the Fourth Schedule and should not be considered exhaustive.

PART III

APPLICATION FOR LICENCE

Pre-filing meeting

13. A pre-filing meeting between promoters and the Bank Supervision officials shall be held prior to formal submission of the application is made. No application shall be accepted until a pre-filing meeting is held or a waiver is granted by the Bank.

Application letter

14. Any person intending to undertake or carry on banking business in Tanzania shall submit to the Bank three copies of the prescribed letter of application as shown in the Second Schedule of these regulations.

Other documents and fees

15. The application shall be submitted together with:—

- (a) three copies of each of the documents listed in the Third Schedule of these regulations.
- (b) five authenticated copies of the law or other statutory instrument by or under which the applicant is established.

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(c) Banker's cheque for TShs. 2,000,000/- or as any other amount to be determined by the Bank from time to time made payable to the Bank of Tanzania as non-refundable application fee; and

(d) information and evidence regarding source of the funds to subscribe in the capital of the bank or financial institution.

16. The application letter and every document submitted shall be signed by the directors of the applicant or by principal officer legally authorised to do so. The authenticated legal documents and/or board resolution authorising the signatories shall be submitted with the application.

Signatories

17. All the relevant documents shall be attached to the application letter on the date of submission. If the proposal to establish a bank or financial institution involves unique, unusual or complex legal issues, a thorough detailed legal opinion shall be submitted as part of the application.

Submission of application.

18. Before lodging the application, the promoters and directors shall be aware and confident of what to establish and perform. They should set clearly the same in the relevant documents.

Clarity of application documents.

19. The promoters shall designate and inform the Bank their principal contact and spokesperson of the proposed institution. All communications from the Bank shall be communicated to the spokesperson.

Communication

20. The Bank may, within ninety days after the receipt of a complete application, or where further information has been required, after the receipt of such information, grant approval for issuance of a licence to such applicant or, where such application has been rejected, furnish the applicant the grounds upon which the rejection is based. The applicant shall be issued with a certificate after compliance with conditions of licence as listed in Part V hereunder and commencement of operations: The issued licence shall remain in force until revoked.

Furnishing of information.

21. No banking licence shall be granted to an applicant under these regulations until the applicant fulfills licence requirements herein.

General Condition

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PART IV

CONDITIONS NECESSARY TO BE FULFILLED AFTER APPROVAL OF A LICENCE

- Submission of Memorandum and Articles of Association
22. The institution's Memorandum and Articles of Association (MEMARTS) must be cleared by the Bank before filing and registering the same with the Registrar of Companies and have to be submitted to the Bank after registration.
- Deposit of paid up Capital
23. A licensed institution shall be required to deposit either in Tanzania Shillings or in foreign currency with a Tanzanian registered bank or in Treasury Bills and other Government securities of not more than 364 days with the Bank, its paid up capital not later than thirty days after approval of the licence under advice to the Bank.
- Commencement of Business.
24. A licensed institution shall not commence business until vetted officers are in place and the following have been inspected/reviewed and a permit to that effect issued by the Bank; business premises, security facilities, communication facilities, processing equipments, accounting systems and internal control systems. It is emphasised that bank's administrative, credit, procurement, accounting and operating policies, manuals, and procedures be brought up for the Bank's review well before inspection of premises and facilities and scheduled opening of the bank to the public. Internal audit function has to be in place.
- Submission Qualification of Board Members.
25. A licensed institution shall submit to the Bank detailed Curriculum Vitae, background information on the education, business and/or professional experience, personal and passport details of all proposed members of the board, board designated committees, management committees and all members of the management team of the licensed institution, before commencement of the operations.
- No relationship with foreign banks without approval.
26. A licensed institution shall establish no relationship with any correspondent bank or financial institution abroad without prior approval of the Bank.
- Shareholders autonomy.
27. The shareholders of a licensed institution shall promote autonomy in the management of the institution through a Board or other such committee carrying out the functions of the Board and Management Committee.

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28. Any management and/or technical assistance agreement involving a licensed institution shall be subject to prior approval of the Bank and in the form of legally binding agreement concluded in accordance with the laws and regulations in Tanzania.

Prior approval before agreement.

29. Every member of the board of directors of a licensed institution shall execute a legally binding undertaking committing to fulfil his obligations towards maintaining a safe, sound and profitable institution and to comply with the provisions of the Act, Bank of Tanzania Act, 1995, Foreign Exchange Act, 1992, regulations, policies, circulars, orders and/or instructions made thereunder.

Binding Conditions for members.

30. Approval to licence a bank or financial institution does not allow any such institution to establish any subsidiary, branch or additional office in or outside Tanzania. A specific application for establishment of a subsidiary, branch or additional office is mandatory. For avoidance of doubt, branch expansion shall be subject to proof of track record in doing banking business in accordance with the business plan submitted during application and the general efficiency and profitability of the institution.

Approved Institution not to establish another branch.

31. A licensed institution shall be subjected to statutory external audit as required by law. The audit shall be carried out by auditors approved by the Bank.

Auditing

PART V

REVOCATION OF A LICENCE

32. The Bank may revoke a licence issued to a bank or financial institution under the following conditions;

Revocation

- (a) if the institution fails to commence operations within a period of twelve months from the date the licence was granted unless such period is extended in writing by the Bank;
- (b) if the institution fails to comply with the terms and conditions of the licence or any remedial measures required by the Bank following an inspection of the affairs of the licensed institutions required by the Bank in accordance with section 48 of the Bank of Tanzania Act, 1995;
- (c) if the institution is carrying on its business in a manner detrimental to the interests of the depositors or has insufficient assets to cover its total liabilities or is in breach of any of the provisions of the Act or is involved in money laundering;
- (d) if the institution ceases to do business in Tanzania;

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- (e) if it is determined that a licence was obtained on the strength of untrue or misleading information furnished by any person;
- (f) persistence violation of any of the provisions of the Act, Bank of Tanzania Act 1995, Circulars and Regulations issued thereunder.

PART VI

ORGANISATION, OWNERSHIP AND MINIMUM CAPITAL.

Structure of license institution. 33. A licensed institution shall be organised in the form of a stock corporation incorporated under the laws of Tanzania.

Membership 34. The board of directors of a licensed institution shall have a membership of not less than five, two of whom must have banking or related experience and majority of whom must be non-executive.

Individual ownership of core capital. 35. No individual or related individuals with common wealth or body corporate owned or controlled by one or more related individuals shall own more than 20% of the core capital of any licensed institution.

Minimum Capital for banks 36. Every bank shall commence operations with a core capital of not less than Tshs. 1,000,000,000 or any other amount the Bank shall stipulate in accordance with the law and shall maintain this minimum amount at all times. The core capital shall be deposited with a Tanzania registered bank with advice to the Bank or in Treasury Bills and other Government Securities of not more than 364 days. In case of capital remitted in foreign exchange, it shall be reflected in books of the bank using exchange rate as of the date it was remitted.

Minimum Capital for financial institutions. 37. Every non-bank financial institution shall commence operations with a core capital of not less than TShs. 500,000,000 or any such other amount as shall be determined by the Bank in accordance with the law and shall maintain this minimum amount at all times. The core capital shall be deposited with a Tanzanian registered bank with advice to the Bank or in Treasury Bills and other Government Securities of not more than 364 days. In case of capital remitted in foreign exchange, it shall be reflected in the books of the bank using exchange rate as of the date it was remitted.

Initial start up costs. 38. Banks and financial institutions shall commence operations with a capital higher than the ones prescribed under Regulations 36 and 37.

* 39. Any change in the management or membership of the board of directors must have prior approval of the Bank. A bank or financial institution shall submit to the Bank detailed curriculum vitae of its incoming senior officers or members of the board for vetting and approval. Other documents to be submitted include photocopy of the three pages of the passports, a passport size photograph and vetting by two persons, who are not relatives, for good moral character, integrity and performance.

Prior
Approval
for change
of man-
agement

PART VII

MINIMUM CONDITIONS FOR OPENING REPRESENTATIVE OFFICE,
BRANCHES, AGENCIES, ADDITIONAL OFFICES OR SUBSIDIARIES.

40. No licensed institution shall be allowed to invest in capital expenditure for the purpose of opening a subsidiary, branch or additional office unless prior approved for opening such a subsidiary, branch or additional office has been sought and granted by the Bank.

No open-
ing of
subsidiary
branch or
additional
office with
out ap-
proval.

41. The Bank may consider an application from a licensed institution to open a subsidiary, branch or additional office only after proven successful, sound and profitable operations. In the case of need, additional capital may be called for.

Applica-
tion for
subsidiary
branch or
additional
office

42. Subsidiaries to be opened by banks or financial institutions shall be required to perform banking business as its major activities.

Sub-
sidiary
branch
etc. to
perform
banking
activities

43. A subsidiary office shall be incorporated as a separate legal entity under the laws of Tanzania and must have a minimum of five members of the board of directors, two of whom shall have banking or related experience and majority of whom shall be non-executive.

Sub-
sidiary
branch
etc. to be
incorpor-
ated

44. A bank or financial institution incorporated outside Tanzania may open a representative office only after applying to the Bank and approval is granted.

Applica-
tion for in
corporation out-
side Tan-
zania

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Representative office not to conduct business

45. A representative office shall not conduct financial or banking business.

Applicants for representative office to furnish information

46. Any applicant wishing to establish a representative office shall submit a detailed budget for the office and curriculum vitae for officers and staff of the representative office as required by the Bank.

Application requirements for subsidiary, branch etc.

47. An application for establishment of a subsidiary, branch, agency or an additional office shall include the following:

- (i) projected balance sheet and income statement for the next three years for the branch and subsidiary;
- (ii) consolidated projected balance sheet and income statement for the next three years for the head office and subsidiary or branch;
- (iii) proposed organisation structure of the subsidiary or branch;
- (iv) a detailed budget and programme for the establishment of the subsidiary, branch, agency or additional office;
- (v) proposed manuals, procedures, communication and other facilities to be provided to the subsidiary, branch, agency, or additional office;
- (vi) names and particulars, including C.V.'s for, at least three persons proposed to take up senior positions in the subsidiary or branch;
- (vii) names and particulars of other persons who shall run the agency.

Powers of a bank

48. A licensed bank, in addition to the general powers incident to companies incorporated under the Companies Ordinance, shall have all such powers necessary to carry on the business of commercial banking, *inter alia* accepting draft and issuing letters of credit, drafts, bills of exchange and other debt instruments; receiving deposits of money including deposits which are subject to withdrawal by cheque; buying and selling foreign exchange and gold or silver bullion, lending money, acquir-

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ing marketable instruments evidencing indebtedness of the government or of any person, firm, association or company, in the form of government securities or stocks, bonds, notes or debentures; and by investing in equities of other companies which are engaged primarily in activities allied or related to banking.

49. In addition to the activities authorised in regulation 48 above, a bank may perform the following services:

Additional activities

- (a) receive in custody money, documents, and valuables, and rent safety deposit boxes for the safeguarding of such effects;
- (b) perform functions related to the registration of transfers and issues of share certificates and similar documents;
- (c) act as financial agent and buy and sell, by order of and the account of its customers, shares, debt instruments and all types of securities;
- (b) make collections, payments and transmissions or remittances of money for the account of others and perform such other services for their customers as are not incompatible with the business of banks; and
- (e) with prior approval of the Bank, act as managing agent, adviser, consultant or administrator of investment management, advisory or consultancy accounts.

50. A bank shall perform the services specified in paragraphs (a), (c) and (d) of regulation 49 above either as depository or as agent and shall account for and keep the money, securities and other valuable which it has received in such capacity duly separated from the bank's own and liabilities.

Separation of assets held as custodian or agent

51. The Bank may grant additional powers and privileges to any bank as provided for in regulation 52, 53 and 54 provided that no bank shall be granted any power or privilege unless it has demonstrated its ability to operate in safe, sound, profitable and prudent manner to the satisfaction of the Bank, it is capable of providing the required technical expertise and complies to banking laws.

Additional powers and privileges

52. Any bank which has a core capital of not less than T. Shs. 4,500,000,000/- may be authorised by the Bank to perform the duties and functions of a trustee and such other fiduciary functions as the Bank may authorise.

Trust and other fiduciary functions

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Under-writing
Investment in
equity &
Security
dealing
and Invest-
ment in equity
of a non
allied un-
dertaking

53.—(1) Any bank which has a core capital of not less than T. Shs. 6,000,000,000 may be authorised by the Bank to do the following:

- (a) to acquire up to 100% of the equity of a company organised primarily for the purpose of underwriting debt or equity securities of other companies;
- (b) to acquire majority or all of the equity of a financial institution;
- (c) to invest in the equity of a company which is engaged in activities that are not allied or not related to banking; *Provided* that the equity investment of the bank shall not exceed five percent of the total subscribed share capital of the investee company.

(2) For a bank or financial institution to be able to deal in Securities, they must form a subsidiary.

Foreign
branch or
subsidiary

54. Any bank which has a core capital of not less than T. Shs. 10,000,000,000 may be authorised by the Bank to establish a branch or a subsidiary abroad.

PART IX

SCOPE OF AUTHORITY OF FINANCIAL INSTITUTIONS

Activities
of finan-
cial in-
stitution

55. A licensed financial institution, in addition to the general powers incidental to companies incorporated under the Companies Ordinance may, as primary function, perform any but not all of the following activities subject to any condition and/or regulation which the Bank may prescribe:

- (a) extend credit facilities to consumers and industrial, commercial, or agricultural enterprises, either by discounting or factoring commercial papers or accounts receivable; or by buying and selling contract, leases, chattel mortgage, or other evidences of indebtedness, or by leasing of machinery and equipment or other movable property;
- (b) engage in the business of an investment bank by underwriting debt or equity securities of other companies;
- (c) engage in the business of a mutual fund by investing pooled funds obtained from the public in debt or equity securities;

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- (d) engage in the business of a mortgage finance company by granting loans or credit facilities for the purpose of acquisition, construction, improvement, development, alteration or adaptation for a particular purpose of land in Tanzania;
- (e) develop and provide for a secondary market for mortgage granted by banks and financial institutions and;
- (f) such other activities as may be authorised by the Bank.

56. In undertaking the activities specified in Regulations 55, licensed financial institution may borrow funds from the public through the acceptance of deposits or placement of money under such conditions as may be approved by the Bank.

Acceptance of deposits and borrowings from the public

57. In addition to the activities authorised in Regulation 55 and 56, a licensed financial institution may perform the services specified in paragraph (b) and (c) of Regulation 49; and with prior approval of the Bank, act as managing, collecting or collecting or paying agent, advisor, consultant or administrator of investment management, advisory or consultancy accounts.

Additional activities

58. A financial institution performing any of the services authorised in Regulation 57 as an agent shall account for and keep the money, securities and other valuable which it has received in such capacity duly separated from the financial institution's own assets and liabilities.

Separation of assets received as agent

59. Any financial institution which has a core capital of T. Shs. 1,000,000,000 or such minimum core capital as the Bank may prescribe from time to time may apply for conversion into a bank.

Conversion into

FIRST SCHEDULE

CRITERIA FOR DETERMINING THE CHARACTER AND EXPERIENCE REQUIRED FOR A MEMBER OF THE BOARD OF DIRECTORS, MANAGEMENT OF BANK OR FINANCIAL INSTITUTION

- (1) In order to determine, for the purpose of these Regulations, the character and moral suitability of the person proposed to be members of the Board or Management, the Bank shall have regard to the following qualities, in so far as they are reasonably determinable, of the person concerned:—

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FIRST SCHEDULE—(contd.)

- (i) adequate education background;
 - (ii) his general character;
 - (iii) professional skills, competence and soundness of judgement for the fulfilment of the responsibilities of the office in question; and
 - (iv) the diligence with which the person concerned is likely to fulfil those responsibilities.
- (2) For the purpose of and without prejudice to the generality of the provisions of paragraph (1), the Bank may have regard to the previous conduct and activities of the person concerned in the business or financial matters and, in particular to evidence that such person:—
- (i) has committed any act of bankruptcy;
 - (ii) was a director of a bank or financial institution that has been liquidated or is under liquidation or statutory management under part VII of the Act;
 - (iii) has committed or been convicted of the offence of fraud or any other offence of which dishonesty is an element;
 - (iv) has contravened the provision of any law designated for the protection of members of the public against financial loss due to the dishonesty or incompetence of, or malpractices by, persons engaged in the provision of banking, insurance, investment or other financial services.
- (3) Any other criteria which the Bank may prescribe from time to time.

SECOND SCHEDULE

(Regulation 14)

The Governor,
Bank of Tanzania,
P.O. Box 2939,
Dar Es Salaam,
Tanzania.

Re: Application for a Licence to carry on Banking Business

Sir,

We, the undersigned, hereby apply for a licence to establish a bank/financial institution in Tanzania to be known as _____ with principal place of business at _____

The proposed institution shall have an authorised share capital of Shs. _____ and paid up capital of Shs. _____ which shall be contributed by the following subscribers:

Banking and Financial Institutions Regulations

G.N. No. 118 (contd.)

SECOND SCHEDULE—(contd.)

Subscribed Shares

<i>Name of Subscriber</i>	<i>Number</i>	<i>Amount</i>	<i>Amount Paid-up</i>	<i>Percentage of Ownership</i>
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				
17.				
18.				
19.				
20.				
Total				

We jointly and severally make a firm commitment to deposit a total amount of paid up capital for the proposed institution with any bank registered in Tanzania such deposit to be made not later than thirty days from notice of approval of this application.

In support of this application, we submit herewith the documents listed in the accompanying checklist. We certify the correctness of all the information indicated in such documents to the best of our knowledge and belief.

We hereby authorise the Bank of Tanzania and any of its authorised agents or staff members to make an enquiry or obtain any information from any source for the purpose of determining the correctness of all the representations made in connection with this application or of assessing its merits.

Banking and Financial Institutions Regulations

G.N. No. 118 (contd.)

SECOND SCHEDULE—(contd.)

To facilitate communication between us, we have authorised the person first listed above to represent all of us in regard to this application. It is understood that any notice to him shall constitute sufficient notice to all of us.

Enclosed is a cheque for T.Shs. 2,000,000 (or US dollar) representing our payment of the application fee.

Yours faithfully,

THIRD SCHEDULE

(Regulation 15(a))

Checklist of Documents

1. Letter of application in prescribed form.
2. Proposed Memorandum of Association (unregistered with the Registrar of Companies).
3. Proposed Articles of Association (unregistered with the Registrar of Companies).
4. Proof of availability of funds for investment as capital of the proposed institution, e.g., bank certification.
5. List of incorporators/subscribers and proposed members of board of directors and other senior officers.
6. Information sheet of every incorporator/subscriber and every proposed member of the board of directors and senior officer.
7. Proof of citizenship of every incorporator/subscriber and every proposed director and senior officer. This includes detailed Curricula Vitae (CV), photocopy of the first five pages of a passport, a passport size photograph, and historical background.
8. Audited balance sheet and income statements of every incorporator/subscriber and every proposed member of the board of directors and senior who is engaged in business.
9. Certified copies of annual returns of every incorporator/subscriber and every proposed member of the board of directors and senior officer (together with accompanying schedules/financial statements) filed during the last five years with the Income Tax Office for income taxation purposes.

Banking and Financial Institutions Regulations

G.N. No. 118 (contd.)

THIRD SCHEDULE—(contd.)

10. Tax clearance from the Income Tax Office.
11. Statements from two persons (not relatives) vouching for the good moral character and financial responsibility of the incorporators/subscribers and the proposed directors and senior officers.
12. Business plans for the first four years of operations including the strategy for growth, branch expansion plans, dividend payout policy and career development programme for the staff. Budgets for the first year must also be included.
13. Projected annual balance sheets for the first four years of operations.
14. Projected annual income statements for the first four years of operation.
15. Projected annual cash flow statements for the first four years of operations.
16. Discussion of economic benefits to be derived by the country and the community from the proposed bank/financial institution.

FOURTH SCHEDULE

(Regulation 12(3))

Business plan general guidelines

1. The business plan is prepared by the promoters and reviewed by the Bank to determine whether approval should be given to form a bank or financial institution. The plan identifies the bank's/financial institution's markets, its proposed services, the management capabilities it will have, growth plan, and its strategies for profitability.
2. The promoters may submit for review business plan in any format they wish. However, the following is the Bank's checklist for the review of business plan. It is included so you will know most factors in your business plan that the Bank reviewers will assess. If the Bank finds that the business strategies are reasonable and coherent, that the proposed directors and management can successfully carry out the business plan and operate in a safe and sound manner, and that the bank/financial institution will be adequately capitalised, and also after being satisfied that other aspects too are in order, the Bank will grant approval for a licence.
3. The business plan should present data which accurately reflect the economic condition of the delineated market and addresses statutory and regulatory changes which may affect the operations of the proposed bank/financial institution. Proposal should reflect the realities of the marketplace.
4. A business plan should contain sufficient information to demonstrate that the proposed bank/financial institution has reasonable likelihood of success. In this regard a detailed listing of all assumptions used in preparing the business plan should be attached to the submission (e.g. a margin analysis and cost of funds). After a technically complete application is filed, the Bank will not request additional information unless concerns arise that the applicants could not have reasonably been expected to address. Therefore, organisers must ensure that the business plan projections are well supported and goals and objectives are specific and properly defined on initial submission.
5. **Market Analysis.** Analyse the market to be served. Describe the market in which you expect to provide services in terms of economic characteristics for example size, income and industry patterns. Include anticipated changes in the market; the factors influencing those changes, and the effect they will have on the proposed institution. To the extent necessary for making business decision, describe differences in the product market

Banking and Financial Institutions Regulations

G.N. No. 118 (contd.)

FOURTH SCHEDULE—(contd.)

to be served for example, differences in the depository and credit market. Analysis will be based on use of the *most current* economic data available. Sources of information used are reviewed for credibility and are important in reviewing the data

6. Analyse the competition. List the competitors inside the market to be served, those outside who might affect the markets served, and any potential competition. Give your perception and analysis of their market strategies and expected results in terms of relative strength, market shares, and prices.
7. Explain the strategies you will follow to capture a share of each product market and the results you expect to achieve. Use a sample format to present a summary of your expectations:

Plans and Objectives

8. Review major planning assumptions used in the analysis and in setting the plans and objectives for a new institution. Include at least the following: market growth, interest rates, cost of funds and competition.
9. Projections should show the expected asset and liability mix, volume for each type of services, fixed asset investments, and officer and staff remuneration. Projections must be based on the planning assumptions which must be submitted as part of the application, market analysis, and strategies discussed above. Discuss the advantages and disadvantages of the proposed asset/liability mix, including a net interest margin analysis, and any actions which will be taken to reduce major risks through appropriate funds management techniques and systems.
10. Discuss the formula or basis used to arrive at the proposed capital structure and an explanation of why the promoters believe the proposed amount is sufficient in light of given market factors, strategies, and expenses. Promoters are expected to raise an amount sufficient to effectively compete in the market and adequately support planned operations in *addition* to all organisational expenses. The Bank may require a higher amount to maintain capital adequacy to support operations projected through the end of the bank's/financial institutions' fourth year.
11. Discuss plans for raising capital initially and to finance growth within the first four years. Explain how the plans will keep the bank/financial institution in conformance with the Bank's Capital Adequacy Guidelines, specifically addressing compliance with the risk-based capital guidelines.

Credit Policy and Procedures

12. Credit policies are a set of broad statements establishing the concept and objective parameters for type, limits for maturities, loan pricing criteria, client and collateral standards to be fulfilled by borrowers, aggregate and individual concentration limits, and loan authority and procedures for collection and charge-offs.
14. Credit manual must be prepared comprising of detailed guidelines for implementing the stated policies. The manual generally will address types of business desired, proper borrower financial information; credit files maintenance; enforcement of repayment schedules; and periodic review and other reports to be generated and distributed.
15. Credit policies and manuals need to cover all the steps of credit production and administration which include initiation; investigation and analysis; procedures for approval, renewals and extensions; documentation, perfection of collateral, funds disbursement and recovery.

Banking and Financial Institutions Regulations

G.N. No. 118 (contd.)

FOURTH SCHEDULE—(contd.)

Organisation and Administrative Structure

16. The structure should in principle reflect the nature and scope of the intended activities of the institution and the mechanism by which the management envisages to govern the institution and to monitor as to whether and to what extent the objectives of the institution are achieved.
17. The structure should show the relationships between the board and management. It should also show the composition of various departments of the institution. The structure should also indicate the number of staff envisaged for each unit. Support units such as internal audit, legal services and others should be indicated.
18. The promoters should be able to show the names of specific persons that are envisaged to take certain key positions in the institution. If the actual persons cannot yet be identified, promoters should indicate the requirement clearly in terms of training, experience and personal characteristics.
19. Promoters are required to disclose how the proposed bank or financial institution will develop the professional and technical skills of their staff and Tanzanians in particular. They should provide clear plans and strategies on how and when Tanzanians will be employed, trained and occupy positions of senior or managerial ranks in the institution. All future plans should be indicated.

Financial Projections

20. Promoters must prepare projected balance sheets, income statements and cash flow statements. They must submit statements that reflect their assets, liabilities, and capital projections for the number of years projected to reach profitability; however, a minimum of four years must be displayed.
21. At a minimum, the information in the following forms must be provided. Additional data should be included to reflect important element of your planned asset and liability mix (for example, the loan and deposit schedules might be expanded). **AVERAGE BALANCES**, rather than year-end estimates, should be used. Average balances may be computed by projecting monthly or quarterly account balances and averaging (annualising) for the appropriate number of periods used.

**Projected Balance Sheets
(In '000 Tanzanian Shillings)**

Assets	Year	1	2	3	4
Cash					
Balances with Bank of Tanzania					
Balances with other banks					
— In Tanzania					
— Abroad					
Investment in debt securities					
— Treasury bills					
— Other Securities (use separate schedule)					
Loans, Advances and Overdrafts (Net)					
— Loans and Advances					
— Overdrafts					
Allowance for losses (as a deduction)					
Bank Premises, Furniture and Equipment (Use separate schedule)					
Other Assets (Use separate schedule)					
TOTAL ASSETS					
Liabilities					
Deposit liabilities other than banks					

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G.N. No. 118 (contd.)

FOURTH SCHEDULE—(contd.)

- Current accounts
- Savings deposits
- Time deposits
- Deposits from other banks
 - In Tanzania
 - Abroad
- Other deposits (Use separate schedule)
- Total deposits
- Other liabilities (Use separate schedule)
- Total liabilities
- Capital
 - Paid-up capital
 - Ordinary
 - Preference
- Reserves
 - Share premium (discount)
 - General reserves
 - Retained earnings
 - Capital reserves
 - Others (specify)
- Total Equity
- TOTAL LIABILITIES AND CAPITAL**
- Off-balance sheet commitments

Projected Income Statements
(In '000 Tanzanian Shillings)

<i>Interest Income</i>	Year	1	2	3	4
—Loans, advances and overdraft					
—Debt securities (Treasury bills)					
—Other securities (use separate schedule)					
—Balances with banks					
—Others (use separate schedule)					
Total Interest Income					
<i>Interest Expenses</i>					
—Deposits (use separate schedule)					
—Borrowings					
—Others (specify)					
Total Interest Expenses					
NET INTEREST INCOME					
Provision for loan losses					
Bad debt written off					
Non-Interest Income					
—Foreign exchange gain/losses					
—Commission and fees (use separate schedule)					
—Others (use separate schedule)					
Total Non-Interest Income					
Non-Interest Expenses					
—Officers' salaries and benefits					
—Employees' salary and benefits					
—Depreciation expenses					
—Maintenance costs					
—Others (use separate schedule)					
Total Non-Interest Expenses					
Operating Income (Losses)					

Banking and Financial Institutions Regulations

G.N. No. 118 (contd.)

FOURTH SCHEDULE—(contd.)

Extra Ordinary Income/Losses (specify)
 Net Income/Loss before Income Tax
 Income Taxes
 Net Income/Loss after tax

Projected Cash Flow Statements
 (In '000 Tanzanian Shillings).

Part I	Year	1	2	3	4
<i>Cash flow from operating activities</i>					
Net Income (Loss)					
Adjustments to reconcile income					
—Provisions					
—Net change in loans and advances					
—Gains/Loss on sale of assets					
—Net change in deposits					
—Net change in short-term negotiable securities					
—Net change in other liabilities					
—Net change in other assets					
—Others (specify)					
Net cash provided (used) by operating activities					
Part II					
<i>Cash flows from Investing activities</i>					
—Dividend received					
—Purchases of fixed assets					
—Purchases of investment securities					
—Proceeds from sales of investment securities					
—Others (specify)					
Net Cash provided (used) by Investing activities					
Part III					
<i>Cash flows from financing activities</i>					
—Repayment of long-term debt					
—Proceeds from issuance of long-term debt					
—Proceeds from issuance of share capital					
—Proceeds from sale of fixed assets					
—Payment of cash dividends					
—Net change in other borrowings					
—Others (specify)					
Net Cash provided (used) by financing activities					
Part IV					
<i>Cash and Cash Equivalents</i>					
Net decrease/increase in cash and cash equivalents					
—Cash and Cash equivalents at the beginning of the year					
—Cash and Cash equivalents, current year-to-date					

Bank of Tanzania
 Dar es Salaam
 10th April, 1997

DR. I. M. RASHIDI,
 Governor

Price Shs. 460/-