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{ *Kumbukumbu* }
{ *Re f. No.* } **IA. 368/496/01**

5th March 2018**ALL COMMERCIAL BANKS****RE: EXTENSION OF ELIGIBLE COLLATERALS**

In conducting monetary policy operations and ensuring financial stability, the Bank of Tanzania normally approves a list of eligible collaterals that are used by banks when accessing the central bank's facilities and instruments.

The current Bank of Tanzania Collateral Framework limits the eligible collaterals to Government securities with remaining time to maturity of 180 days or less. This limits the banks from obtaining funds from the Bank when they hold Government securities with more than 180 days to maturity.

The Bank of Tanzania wishes to inform all banks that it has decided to expand the eligibility criteria for collaterals to include all Government securities, regardless of tenure and remaining days to maturity. Pricing of the collateral will be against Face Value.

The new approved collateral framework shall be operational effective 5th March 2018, and the following margins (haircuts) shall apply:

- (i) 10% for Treasury bills and bonds with not more than 365 days to maturity;
- (ii) 20% for Treasury bonds with time to maturity of more than 365 days but less than 2 years;
- (iii) 30% for Treasury bonds with time to maturity of more than 2 years but less than 5 years;
- (iv) 40% for Treasury bonds with time to maturity of 5 years and beyond.

Kindly be informed accordingly.

BANK OF TANZANIA