



PRESS STATEMENT

The Monetary Policy Committee (MPC) of the Bank of Tanzania, which met on 8th May 2020, approved various policy measures to cushion the economy from adverse effects of COVID-19, after a thorough assessment of the impact on various sectors. The aim of measures is to safeguard the financial sector stability and continue facilitating the financial intermediation process. The policy measures approved include:

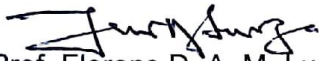
- i. The Bank of Tanzania to lower the Statutory Minimum Reserves (SMR) requirement from 7 percent to 6 percent, effective from 8th June 2020. The measure is expected to provide additional liquidity to banks.
- ii. The Bank of Tanzania to reduce the discount rate from 7 percent to 5 percent, with effect from 12th May 2020. This measure will provide additional space for banks to borrow from the Bank of Tanzania at a lower cost, thus signaling lower lending rates by banks.
- iii. The Bank of Tanzania to reduce haircuts on government securities, from 10 percent to 5 percent for Treasury bills, and from 40 percent to 20 percent for Treasury bonds, with effect from 12th May 2020. The measure will increase the ability of banks to borrow from the Bank of Tanzania with less collateral than before.
- iv. Banks and other financial institutions to thoroughly assess financial difficulties experienced by borrowers due to COVID-19 in respect of loan repayment, discuss on the possibility of restructuring of loans, also referred to as loan repayment moratorium, and can grant loan rescheduling thereof, on a case-by-case basis. The Bank of Tanzania will provide regulatory flexibility to banks and other financial institutions that will carry out loan restructuring in a transparent and impartial manner.
- v. Mobile money operators to increase daily transaction limit to customers, from TZS 3,000,000 to TZS 5,000,000 and daily balance from TZS 5,000,000 to TZS 10,000,000. This measure will encourage customers to use digital payment platforms for transactions, thereby reducing congestion in banking premises. Banks are also

advised to incentivize their customers to increase usage of digital payment systems for transactions, such as online banking and point of sale systems.

- vi. The Bank of Tanzania to continue monitoring the impact of COVID-19 on various sectors of the economy and take appropriate policy actions to limit the impact.

In addition, the Bank of Tanzania wishes to inform the general public that the country has adequate foreign exchange reserves for importation of goods and services. Meanwhile, the general public is reminded that, all transactions in the country between residents should be conducted in shillings.

The Bank of Tanzania continues to advise the general public to take necessary measures to mitigate the spread of COVID-19 in the country.


Prof. Florens D. A. M. Luoga
Governor
BANK OF TANZANIA

12th May 2020