



BANK OF TANZANIA

**GUIDELINES FOR PARTICIPATION IN PRIMARY AND
SECONDARY MARKETS FOR TREASURY BONDS**

2015

TREASURY BONDS MARKETS

1.0 INTRODUCTION

The Bank of Tanzania as a banker and fiscal agent of the Governments¹ issues Treasury bonds on behalf of the governments. Treasury bonds are debt instruments issued by the Governments in exchange for money borrowed from the public. Treasury bonds are long-term securities maturing over a year. Treasury bonds are issued for Governments financing.

Treasury bonds are auctioned at regular intervals by the Bank of Tanzania through a competitive tender system in the Primary market and subsequently sold and purchased on a continuous basis in the secondary market.

As investment instruments, Treasury bonds have the following advantages:

- They are relatively risk free because they are issued by the Government.
- They are transferable and negotiable.
- They can be pledged as collateral.
- The rate of return is competitive.

The guidelines are divided into four main parts namely, market set up and participation, auction and tendering procedures, settlement requirements and trading of Treasury bonds in the secondary market.

¹ “Governments” stands for the United Republic of Tanzania and The Revolutionary Government of Zanzibar.

2.0 MARKET SET - UP AND PARTICIPATION

2.1 Market Structure

The Market consists of a Primary market where the Bank of Tanzania issues Treasury bonds for the first time on a fortnightly basis. Subsequent sales and purchases of Treasury bonds are conducted in the secondary market.

2.2 Eligibility

All East African Community residents are eligible to participate in the Treasury bonds auctions.

2.3 Central Depository System

The Bank of Tanzania maintains and processes Treasury bonds transactions through the Central Depository System (CDS). Treasury bonds holdings are processed and stored electronically. No physical certificates are issued.

Before participating in Treasury bonds auction an investor has to become member of the CDS by opening a CDS securities account through Central Depository Participant (CDPs) of their choice. The procedures are as stipulated in CDS- rules and operational guidelines.

3.0 AUCTION AND TENDERING PROCEDURES

The Bank of Tanzania issues Treasury bonds in five maturities namely 2, 5, 7 10 and 15 years. These are issued at fixed interest rate (coupon) and quoted at either premium, par or discount price.

3.1 Call for Tender

A press release that is also a prospectus (Annex III) shall be issued five days before each auction. In conjunction with issuing a

prospectus through news papers, call for tender is also published electronically through CDS Web portal.

3.2 Submission of Tender Forms

CDPs and their clients shall use tender forms, **CDS/FORM/03** (Annex I). This form can be obtained from the Bank of Tanzania Head office and Branches, BOT website (<http://www.bot.go.tz>) and from the CDPs' offices.

The minimum bid amount for Treasury bonds is TZS 1,000,000 face value in multiples of TZS 100,000.

Bidders are allowed to submit multiple bids for every maturity at different prices.

Prices shall be quoted at Premium, Par or Discount to four decimal places.

Investors shall submit their tender forms through CDPs.

Duly completed tender forms bearing applicant's signature and stamp shall be submitted to the CDPs office. Subsequently CDPs will capture the bid details in the CDS for online submission to BOT.

The Bank of Tanzania reserves the right to accept or reject any or all-tender forms submitted in an auction.

3.3 Allocation to Successful Bidders

In allocating bids, the Bank shall use the computerized auction system known as Government Securities System (GSS). The System uses multiple price system to allocate Treasury bonds to the successful bidders. Each successful bidder shall pay the price she/he quoted. Successful bidders shall be listed, in a descending

order, starting with the highest bid price, down to the lowest bid price that exhausts the amount of Treasury bonds offered for sale.

If bids at the cut off price exceed the face value of the remaining amount offered for sale, the Bank of Tanzania shall proportionally allocate amounts at the cut off price based on each bidder's amount until the amount offered for sale is exhausted.

3.4 Announcement of Results and Issuance of Bid Codes

Auction results shall be made available at the Bank of Tanzania website: <http://www.bot.go.tz> immediately after the auction, CDPs shall also display the auction results at their respective offices.

Successful bidders shall obtain bid result details (bid codes); from their CDPs. Bid codes shall be used as a reference for payment of Treasury bonds through Tanzania Inter-bank Settlement System (TISS).

4.0 SETTLEMENT

4.1 Settlement of the Successful Bids

- Successful bidders shall pay for their Treasury bonds bids one day after the auction (T+1).
- Successfully bidders shall pay their won amount through their settlement banks.
- Commercial banks/settlement banks shall remit payment through TISS to achieve DVP.

4.2 Payment of Interest and Redemption Proceeds

- On semi-annual basis investors in Treasury bonds shall be paid accrued interest proceeds that will be computed based on the coupon rate of the bond she/he holds.
- On maturity, investors shall be paid the par value plus the last accrued interest of the bond they holds.

The Bank shall pay the investors under the following arrangements;

1. For commercial banks that are TISS members together with their respective clients the Bank shall credit commercial banks' accounts.
2. For Commercial banks and Non-bank financial Institutions that are non-TISS members, the Bank shall credit their respective accounts.

4.3 Withholding Tax

- Income earned from investment in Two year Treasury bonds shall be subjected to withholding tax while income on investment in 5, 7, 10 and 15 years shall be exempted from withholding tax as per the government's regulation set from time to time.
- All participants exempted from paying withholding tax shall provide to the Bank tax exemption certificates from the Tanzania Revenue Authority (TRA).

5.0 TRADING OF TREASURY BONDS IN THE SECONDARY MARKET

- Treasury bonds are listed at the DSE.
- Secondary trading of Treasury bonds shall take place at the Dar es Salaam Stock Exchange (DSE). Investors wishing to buy or sale Treasury bonds shall approach the DSE through registered broker dealers in order to obtain details pertaining to trading procedures.
- Transfer of Treasury bonds traded in the secondary market shall be effected in the Book Entry System. To effect transfer of bonds, investors shall through his or her CDP fill in **Securities Transfer CDS Form 04 (Annex II)**.
- Duly completed and endorsed by DSE through broker dealers securities transfer forms shall be submitted to CDPs.
- **Securities Transfer CDS form 04** shall be obtained from the Bank of Tanzania web site (<http://www.bot.go.tz>) and from CDPs offices.

6.0 REGISTERED CENTRAL DEPOSITORY PARTICIPANTS (CDPs)

The Bank of Tanzania has registered the following CDPs:

1	ACCESS BANK TANZANIA LIMITED
2	AFRICAN BANKING CORPORATION TANZANIA LTD
3	AKIBA COMMERCIAL BANK LIMITED
4	AZANIA BANK LIMITED
5	BANK M TANZANIA LIMITED
6	BANK OF AFRICA (T) LIMITED
7	BANK OF BARODA (T) LTD
8	BANK OF INDIA (TANZANIA) LIMITED
9	BANK OF TANZANIA
10	BARCLAYS BANK TANZANIA LIMITED
11	CHINA COMMERCIAL BANK LIMITED
12	CITIBANK TANZANIA LIMITED
13	COMMERCIAL BANK OF AFRICA (T) LTD
14	CORE SECURITIES LIMITED
15	CRDB BANK PLC
16	DCB COMMERCIAL BANK PLC
17	DIAMOND TRUST BANK TANZANIA LTD
18	E.A.CAPITAL
19	ECOBANK TANZANIA LIMITED
20	EFATHA BANK LIMITED
21	EQUITY BANK (TANZANIA) LIMITED
22	EXIM BANK (TANZANIA) LTD
23	FBME BANK LTD
24	FIRST NATIONAL BANK TANZANIA LIMITED

25	HABIB AFRICAN BANK LIMITED
26	I AND M BANK (I) LTD
27	INTERNATIONAL COMMERCIAL BANK
28	KCB BANK TANZANIA LIMITED
29	MAENDELEO BANK PLC
30	MKOMBOZI COMMERCIAL BANK PLC
31	NATIONAL BANK OF COMMERCE LTD
32	NATIONAL MICROFINANCE BANK PLC
33	NIC BANK(TANZANIA) LIMITED
34	OPTIMA CORPORATE FINANCE
35	ORBIT SECURITIES CO. LTD
36	RASILIMALI LIMITED
37	SOLOMON STOCKBROKERS LIMITED
38	STANBIC BANK TANZANIA LIMITED
39	STANDARD CHARTERED BANK TANZANIA LTD
40	TANZANIA INVESTMENT BANK
41	TANZANIA POSTAL BANK
42	TANZANIA SECURITIES LIMITED
43	TANZANIA WOMEN'S BANK PUBLIC LIMITED COMPANY
44	THE PEOPLE'S BANK OF ZANZIBAR LIMITED
45	TWIGA BANCORP LIMITED
46	UBL BANK (TANZANIA) LIMITED
47	UCHUMI COMMERCIAL BANK LIMITED
48	UNITED BANK FOR AFRICA (I) LTD
49	VERTEX SECURITIES LTD
50	ZAN SECURITIES LTD

GLOSSARY

Bid code: An alphanumeric reference assigned to a bid form before details are entered into the computer system for auction processing.

Book Entry System: An exchange and settlement system in a paperless form. It involves transferring of claims without the physical movement of paper documents or certificates.

Central Depository System: A system, which maintains and processes Treasury bills and bonds transactions/records through the Government Securities System (GSS).

Collateral: Securities pledged by a borrower against a loan, valid for the duration of the loan.

Cut off-price: The minimum price at which amount offered for sale is exhausted.

Dealer: An individual or firm selling or buying government securities as a principal or on own account.

Face Value: Par value (maturity value) of a security.

Government Securities: Treasury bills, bonds or stocks issued in accordance with the Government Loans Guarantees and Grants Act of 1974 as amended in 2004.

Securities Account: An account that keeps record of securities holdings for all investors in Government securities.

Maturity: The date when the Treasury bill/bond is due for redemption.

Secondary market: Sale and purchase of Treasury bills and bonds after their original issuance in the primary market.

Securities: Financial assets received in exchange for cash.

Settlement date: The date for delivery of securities and payment of funds.

Tender: An action of submitting a formal bid to buy a security in the Treasury bills and bonds auction.

TISS: Tanzania Inter-bank Settlement System is a Real Time Gross Settlement (RTGS), which facilitates payment, and settlement of government securities.

ENQUIRIES SHOULD BE DIRECTED TO:

Director,
Directorate of Financial Markets,
Bank of Tanzania,
P.O Box 2939, Dar-es-Salaam
Tel: G/L 022 – 2234494-97
D/Line: 022 - 22333564
Fax: 022-2112702

Manager,
Domestic Markets Department,
Bank of Tanzania,
P.O Box 2939, Dar-es-Salaam
Tel: G/L 022 – 2234494-97
D/Line: 022 – 22333529
Fax: 022-2234049

Branch Director,
BOT Arusha,
P.O Box 3043
Tel: 027 – 2545541-3
Fax: 027 – 2545444/2548722

Branch Director,
BOT Mwanza,
P.O Box 1362
Tel: 028 - 2500313/2500315-7
Fax: 028 – 2500277/2500318

Branch Director,
BOT Mbeya,
P.O Box 1203
Tel: 025 - 2503321-3
Fax: 025 – 2502844/2502602

Branch Director,
BOT Dodoma,
P.O Box 2303
Tel: 026-2963187
Fax: 026-2963189

Branch Director,
BOT Zanzibar,
P.O Box 568
Tel: 024 – 2230803/2238234
Fax: 024 – 2230415



**BID APPLICATION FORM
TO PARTICIPATE IN THE AUCTION OF SECURITIES**

Central Depository Participant Name.....

CDS SEC. A/C :.....

Account Name:

**Manager Domestic Markets
Bank of Tanzania
P.O. Box 2939
Dar es Salaam**

Date:

Security Type:

Issuer: Government of Tanzania

Auction Date..... Maturity period.....days/years

I/We tender for Government Securities with the following specifications:

Amount of Tender (Face Value)		Price per 100 shillings (Four Decimal places)
(1) TZS.....	@
(2) TZS.....	@
(3) TZS.....	@
(4) TZS.....	@

In accordance with the terms of the call for tenders for Government securities, I / We hereby agree to pay through TISS-DVP for the total amount that shall be allotted at the price per hundred shillings

_____	_____	_____
Date	Authorized Signature	Authorized Signature



GOVERNMENT SECURITIES TRANSFER FORM

(To be submitted in duplicate to the Manager Domestic Markets)

1	Central Depository Participants:									
	1. Selling Dealer	Name								
		CDS SEC. A/C								
	2. Buying Dealer	Name								
		CDS SEC. A/C								
2	Transacting on behalf of the client:									
	1. Seller	Name								
		CDS SEC. A/C								
	2. Buyer	Name								
		CDS SEC. A/C								
3	Subject:									
	1.Nature of Transaction*									
	2.Bond no									
	3.Bond Auction no.									
	4.Bond Holding no.									
	5.Treasury Bills Auction no.									
	6.Treasury Bills Holding no.									
	7.Face Value									
	8.Price									
	9. Discounted Amount									
4	Delivery Instructions:									
	1. CDS SEC. A/C	Debit Account No								

		Credit Account No	
	2. Value Date (DD-MM- YYYY)		
5	Confirmation:		
	1. Authorized Signatory		
	2. Authorized Signatory		

Transaction Type:

1. Outright Purchase 2. Outright Sale 3. Repo

For BoT Official Use Only	Transaction Ref. No.
 A. DOMESTIC MARKETS DEPARTMENT	
Checked by.....	Date
Verified by.....	Date
Approved by.....	Date
 B. DOMESTIC ACCOUNTS DEPARTMENT	
Received by.....	Date
Holdings Transfer Effected by.....	Date.....
Verified by:.....	Date.....
Approved by:.....	Date.....

This implies the Seller and the Buyer in the Secondary Market. The form should be officially stamped. Transfer of ownership shall be affected if the sale and purchase transfer forms are received at the Bank of Tanzania

NOTES FOR COMPLETING TRANSFER CONFIRMATION FORMS

Central Depository Participants:

Selling Dealer- Dealer selling CDS securities on his own account

Buying Dealer- Dealer buying CDS securities on his own account

Transacting on behalf of the client:

Seller- Account holder of the CDS securities being sold.

Buyer- Account holder for whose account the CDS securities is being bought.

Subject:

Transaction Type-1: - Outright purchase, 2. - Outright Sale, 3. - Repo

Discounted Amount – The number of the particular security issue being transacted

Price - Days to redemption of the issue, calculated from the value date.

Face Value- The par value i.e. amount payable at maturity

Delivery Instructions:

Debit Account No - Central Depository System security account number to be debited.

Credit Account No - Central Depository System security account number to be credited

Value Date- Agreed settlement date, when CDS securities will be transferred

Confirmation:

For single investors, his/her signature is sufficient; others will be signed by two officers authorized to commit their institutions.

7.82% 2-YEAR FIXED RATE TREASURY BOND ISSUE 389
ISIN: TZ1996102038
AUCTION 01 TO BE HELD ON MARCH 18, 2015

An opportunity to invest in the United Republic of Tanzania 2-year fixed rate Treasury bond.

The Bank of Tanzania as a fiscal agent for the United Republic of Tanzania invites bids for the above bond. Terms and conditions for this bond are as follows:

<ol style="list-style-type: none"> 1. Issuer 2. Amount 3. Procedure for bidding 4. Auction date 5. Settlement date 6. Form of issuance 7. Auction results 8. Price per TZS 100 9. Minimum bid size 10. Interest payment date 11. Coupon 12. Day count convention 13. Tax 	<p>United Republic of Tanzania</p> <p>TZS 55.0 billion</p> <p>Bids will be submitted online through Central Depository Participants (CDPs) and the process will be closed at 11.00 a.m on the auction date.</p> <p>Wednesday 18th March, 2015 Thursday 19th March, 2015 (T+1)</p> <p>Book entry system</p> <p>Auction results shall be made available on the Bank's Website and at Central Depository Participants' offices immediately after the auction.</p> <p>To be quoted at premium, par or discount to four (4) decimal places.</p> <p>TZS 1,000,000 in multiples of TZS 100,000</p> <p>First interest date: 17th September</p>
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14. Currency	Second interest date: 18th March
15. Redemption date	Fixed at 7.82% p.a.
16. Listing	Actual/365
17. Trading	Interest income is subject to withholding tax
	Tanzania Shillings (TZS)
18. Defaulters	18th March, 2017
	The bond will be listed on the Dar es Salaam Stock Exchange
	Secondary trading in multiples of TZS 100,000 to commence on Tuesday March 24th, 2015.
	Successful bidders who fail to honour their obligations on time will be disqualified from participating in the subsequent auctions for a minimum period of one (1) month

The Bank of Tanzania reserves the right to accept or reject any or all applications.

For further details please contact:

**Domestic Markets Department,
Bank of Tanzania,
2 Mirambo Street, 11884,
P.O. Box 2939, Dar es Salaam
Tel: 2233529-30;
Fax :2234049
Website: www.bot.go.tz**