



BANK OF TANZANIA

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

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TREASURY BONDS MARKETS

1.0 INTRODUCTION

The Bank of Tanzania as a banker and fiscal agent of the Government issues Treasury bonds on behalf of the governments¹. 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 offsetting fluctuations between receipts from the budgeted revenues and payments of the Governments.

Treasury bonds are auctioned at fortnightly basis by the Bank of Tanzania through competitive and non-competitive tender systems 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.
- They offer competitive rate of return.

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 STRUCTURE AND PARTICIPATION

2.1 Market structure

In the Primary market 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 at the Dar es salaam Stock Exchange (DSE)

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 auctions, an investor has to be registered by opening a CDS Client Securities' account through Central Depository Participants (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 seven maturities namely 2 -Year, 5-Year, 7-Year, 10-Year, 15-Year, 20-Year and 25-Year. They are issued on fixed rate (coupon) and quoted at premium, par or discount price. The coupon rates for each tenure are as indicated in the table below;

Tenure (Year)	2	5	7	10	15	20	25
Coupon Rates	7.60%	8.60%	9.48%	10.25%	11.15%	12.10%	12.56%

3.1 Call for tender

A press release that is also a prospectus (**Annex I**) shall be issued one week before each auction.

In conjunction with issuing a prospectus through newspapers, call for tender is also published electronically in the Bank of Tanzania website (**Error! Hyperlink reference not valid.**) and in the CDS portal

3.2 Submission of tender forms

CDPs and their clients shall use tender forms, **CDS/FORM/03 (Annex II)**. This form can be obtained from the Bank of Tanzania website (<https://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.

Competitive Bidders can submit multiple bids for every maturity at different prices.

Prices shall be quoted at Premium, Par or Discount on 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 Bank of Tanzania.

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 electronic 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: **Error! Hyperlink reference not valid.** immediately after the auction. CDPs shall also access auction results at their respective offices through CDS portal.

Successful bidders shall obtain bid result details (with 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).
- Successful bidders shall pay their won amount through banks.
- Commercial banks/settlement banks shall remit payment through TISS to achieve DVP (Delivery Versus Payment).

4.2 Payment of Interest and Redemption Proceeds

- On semi-annual basis, investors in Treasury bonds shall be paid coupon proceeds that is computed based on the coupon rate of the bond they hold.
- On maturity, investors shall be paid the par value plus the last coupon of the bond held.

The Bank shall credit the investors through their respective bank accounts.

4.3 Withholding Tax

- Income earned from investment in 2-Year Treasury bonds is subject to withholding tax while income on investment in 5-Year, 7-Year, 10-Year, 15-Year, 20-Year, and 25-Year are exempted from withholding tax.
- 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 Dar es Salaam Stock Exchange (DSE).
- Secondary trading of Treasury bonds takes place at the DSE. Investors wishing to buy or sell 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 is endorsed by DSE once the required documents are processed by Brokers.
- Duly completed and endorsed by DSE through broker dealers' securities transfer forms shall be submitted to CDPs.
- In case of Treasury Bond that are to be pledged as a collateral, client should fill the lien creation form **CDS/FORM/05 (Annex III)** obtained from Bank of Tanzania website (<https://www.bot.go.tz>) or from CDPs offices. The form shall be submitted to the client CDP for processing in the CDS.
- On lien maturity, client should fill the Lien Release Form **CDS/FORM/06 (Annex IV)** obtained from Bank of Tanzania website (<https://www.bot.go.tz>) or from CDPs offices. The client shall submit the form to CDP for release of the pledged securities.

6.0 REGISTERED CENTRAL DEPOSITORY PARTICIPANTS (CDPs)

The list of registered CDPs:

1	ABSA BANK TANZANIA LIMITED
2	ACCESS BANK TANZANIA LIMITED
3	AFRICAN BANKING CORPORATION TANZANIA LTD
4	AKIBA COMMERCIAL BANK LIMITED
5	AMANA BANK LIMITED
6	ARCH CO LIMITED
7	AZANIA BANK LIMITED
8	BANK OF AFRICA (T) LIMITED
9	BANK OF BARODA (T) LIMITED
10	BANK OF INDIA (TANZANIA) LIMITED
11	CANARA BANK TANZANIA LIMITED
12	CHINA DASHENG BANK LIMITED
13	CITIBANK TANZANIA LIMITED
14	CORE SECURITIES LIMITED
15	CRDB BANK PLC
16	DCB COMMERCIAL BANK PLC
17	DIAMOND TRUST BANK TANZANIA LTD
18	E.A CAPITAL LIMITED
19	ECOBANK TANZANIA LIMITED
20	EQUITY BANK (TANZANIA) LIMITED
21	EXIM BANK (TANZANIA) LTD
22	FIMCO LIMITED
23	FIRST NATIONAL BANK TANZANIA LIMITED
24	GUARANTY TRUST BANK (TANZANIA) LTD
25	HABIB AFRICAN BANK LIMITED
26	I AND M BANK (T) LTD
27	INTERNATIONAL COMMERCIAL BANK
28	KCB BANK TANZANIA LIMITED
29	MAENDELEO BANK PLC

30	MKOMBOZI COMMERCIAL BANK PLC
31	MWALIMU COMMERCIAL BANK
32	NATIONAL BANK OF COMMERCE LTD
33	NATIONAL MICROFINANCE BANK PLC
34	NCBA BANK TANZANIA LIMITED
35	OPTIMA CORPORATE FINANCE
36	ORBIT SECURITIES CO LTD
37	RASILIMALI LIMITED
38	SMART STOCK BROKERS (T) LTD
39	SOLOMON STOCKBROKERS LIMITED
40	STANBIC BANK TANZANIA LIMITED
41	STANDARD CHARTERED BANK TANZANIA LTD
42	TANZANIA AGRICULTURAL DEVELOPMENT BANK LIMITED
43	TANZANIA POSTAL BANK
44	TANZANIA SECURITIES LIMITED
45	THE PEOPLE'S BANK OF ZANZIBAR LIMITED
46	UBL BANK (TANZANIA) LIMITED
47	UNITED BANK FOR AFRICA (T)LTD
48	VERTEX SECURITIES LTD
49	VICTORY FINANCIAL SERVICES LTD
50	YETU MICROFINANCE BANK PLC
51	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 and transfers to 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 and bonds 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,
Financial 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:+255 222232506](tel:+255222232506)
Fax:+255242230415

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

SAMPLE (Call for Tender)

13.5% 15-YEAR FIXED RATE TREASURY BOND No. 560 ISSUE 42, ISIN: TZ0000000000 AUCTION 01 TO BE HELD ON 06th APRIL 2021

An opportunity to invest in the United Republic of Tanzania 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:

1. Issuer	United Republic of Tanzania				
2. Amount	<table border="0"> <tr> <td>Competitive</td> <td>Non-Competitive</td> </tr> <tr> <td>TZS 142.0 billion</td> <td>TZS 0.98 billion</td> </tr> </table>	Competitive	Non-Competitive	TZS 142.0 billion	TZS 0.98 billion
Competitive	Non-Competitive				
TZS 142.0 billion	TZS 0.98 billion				
3. Procedure for bidding	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.				
4. Auction date	06th April, 2021				
5. Settlement date	08th April,2021 (T+2)				
6. Form of issuance	Book entry system				
7. Auction results	Auction results shall be made available on the Bank's Website and at Central Depository Participants' offices immediately after the auction.				
8. Price per TZS 100					
9. Minimum bid size	To be quoted at premium, par or discount to four (4) decimal places. TZS 1,000,000 in multiples of TZS 100,000				

10. Interest payment date	First interest date: 07th October Second interest date: 08th April
11. Coupon	Fixed at 13.5% p.a.
12. Day count convention	Actual/365
13. Tax	Interest income is
14. Currency	exempted from
15. Redemption date	withholding tax
16. Listing	Tanzania Shillings
17. Trading	(TZS)
18. Defaulters	08th April 2036
	The bonds will be listed on the Dar es Salaam Stock Exchange
	Secondary trading in multiples of TZS 100,000 to commence on Friday 09th April 2021.
	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 Financial Markets Department, Bank of Tanzania, 2 Mirambo Street, 11884 Dar es Salaam, P.O. Box 2939, Dar es Salaam (Tel: +255222234494-97, Fax: +255222234217), E-mail: info@bot.go.tz, Web: <https://www.bot.go.tz>



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

Authorized Dealer Name:

CDS SEC. A/C:

Account Name:

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

Date:

Security Type:

Issue: Government of Tanzania

Auction Date.....

Maturity PeriodDays/Years

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

Amount of Tender

Price per 100 shillings

(Face Value) (Two Decimal places for T-Bills or Four Decimal places for T-Bonds)

- (1) TShs.....@
- (2) TShs.....@
- (3) TShs.....@
- (4) TShs.....@

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

CDS securities will automatically be credited to the settlement bank of the beneficiary of the lien.

Date **Authorized Signature** **Authorized Signature**

For Official Use Only

Verified By: _____ **Sign** _____ **Date** _____ **Approved**
By: _____ **Sign** _____ **Date** _____ **Remarks:** _____



LIEN RELEASE FORM

(To be submitted in duplicate and delivered to the Manager
Financial Markets)

*Manager Financial Market,
Bank of Tanzania,
P.O. BOX 2939,
Dar es Salaam*

Date:

Name of the CDS securities account on which the lien is being released:

.....

..... CDS securities a/c. number to be credited on
release of the lien:

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Name of the CDS securities account holder releasing the lien:

.....

..... CDS securities a/c. number on
which the lien is being released:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Value date of the lien release (DD/MM/YYYY): _____/_____/_____

Holding number of the CDS securities to be released from lien: _____

Maturity date of the issue (DD/MM/YYYY): _____/_____/_____

Maturity date of the lien (DD/MM/YYYY): _____/_____/_____

Face Value of the lien release:

TZS

Value in words: _____

<i>Date</i>	<i>Authorized Signature</i>	<i>Authorized Signature</i>

For Official Use Only

Verified By: ___ **Sign** ___ **Date** _____

Approved By: ___ **Sign** ___ **Date** _____

Remarks: _____