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THE BANKING AND FINANCIAL INSTITUTIONS (LIQUIDITY MANAGEMENT)

REGULATIONS, 2014

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GN. No. 293

THE BANKING AND FINANCIAL INSTITUTIONS ACT
(CAP 342)

REGULATIONS

(*Made under section 71*)

THE BANKING AND FINANCIAL INSTITUTIONS (LIQUIDITY MANAGEMENT) REGULATIONS, 2014

PART I
PRELIMINARY PROVISIONS

Citation

1. These Regulations may be cited as the Banking and Financial Institutions (Liquidity Management) Regulations, 2014.

Application

2. These Regulations shall apply to all banks and financial institutions except where prescribed otherwise by the Bank in any other Regulations.

Interpretation

3. In these Regulations, unless the context otherwise requires-

"Act" means the Banking and Financial Institutions Act;
"bank" has the meaning ascribed to it in the Act;
"Bank" means the Bank of Tanzania;
"banking business" has the meaning ascribed to it in the Act;
"demand liabilities" include current account deposits, time deposits, savings deposits, deposits of banks, interbank borrowings payable at call or within seven days, banker's cheques and drafts issued, payment orders and transfers payable, foreign currency deposits and borrowings, other deposits, off balance sheet commitments maturing within one year and such other liabilities as the Bank may determine;

"financial institution" has the meaning ascribed to it in the Act;

"liquid assets" include-

(a) cash;

(b) current account balances and currency deposits with the Bank as shown in the books of the Bank;

(c) balances with other banks with maturities of seven days or less or withdrawable on demand;

(d) cheques and items for clearing;

(e) uncommitted balances with banks outside Tanzania withdrawable on demand and money at call outside Tanzania after deducting there from balances owed to banks outside Tanzania;

(f) foreign currency notes and coins including gold, treasury bills and other government securities maturing within one year and as long as they are unencumbered;

(g) commercial bills and promissory notes discounted at the Bank; and

(h) such other assets as the Bank may determine; and

"off-balance sheet exposure" has the meaning ascribed to it in the Act.

Objectives

4. The objectives of these Regulations are to-

(a) ensure that banks and financial institutions have in place liquidity management policies adequate to enable them meet all known obligations and commitments and plan for unforeseen developments;

(b) ensure that banks and financial institutions implement liquidity management standards that conform to established international norms; and

(c) maintain public confidence by ensuring that banks and financial institutions have sufficient liquidity at all times.

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PART II
LIQUIDITY REQUIREMENTS

Liquidity management policies

5.-(1) The Board of Directors of a bank or financial institution shall adopt sound and prudent liquidity management and funding policies which are consistent with the principles set out in the Risk Management Guidelines for Banks and Financial Institutions issued by the Bank.

(2) The policies referred to under sub-regulation (1) shall at minimum include-

(a) delegation of responsibility for management of overall liquidity of the bank or financial institution to a specifically identifiable group, which may be known as the Asset and Liability Management Committee;

(b) establishment and implementation of effective techniques and procedures to identify, measure, monitor and manage liquidity risk both in individual currencies and overall;

(c) requirement to conduct maturity mismatch analysis consistent with principles set forth in the Risk Management Guidelines for Banks and Financial Institutions issued by the Bank;

(d) analysis of net funding requirements under alternative scenarios; and

(e) contingent liquidity planning.

(3) The liquidity management and funding policies referred to under sub-regulation (1) shall be reviewed annually or more frequently as may be necessary to ensure that they remain appropriate and prudent.

(4) The policies referred to under sub-regulation (3) shall be submitted to the Bank not later than thirty days after being approved by the Board,

provided that where any changes are made to the policies, the bank or financial institution shall clearly indicate areas of such changes.

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Contingency plan

6.-(1) A bank or financial institution shall submit to the Bank a copy of the contingency plan for dealing with liquidity stress scenarios approved by its board of directors.

(2) The contingency plan referred to under sub-regulation (1) shall, at minimum , include-

(a) identification of a crisis management team and provision to notify the Bank promptly of emerging liquidity problem;

(b) procedures to ensure that all necessary information is available to enable senior management to make quick decisions including mechanisms to facilitate constant monitoring and reporting of signals;

(c) procedures for funding cash flow shortfalls in crisis situations, including expected sources of funds, an assessment of the cost of alternative funding strategies and the impact on the capital of the bank or financial institution; and

(d) communication strategies to deal with staff, customers and the public, including the media.

Minimum Liquid Assets Ratio

7. A bank or financial institution shall maintain minimum liquid assets amounting to not less than twenty percent of its demand liabilities.

Balances abroad

8. Balances with banks abroad may be included in liquid assets after netting any amounts owed to that bank provided that they are-

(a) withdrawable on demand or mature within seven days; and

(b) denominated in a currency which is freely convertible and transferable in international exchange markets.

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Liquidity report

9. A bank or financial institution shall submit to the Bank liquidity reports in the format and frequency prescribed by the Bank.

Maturity profile

10. A bank or financial institution shall prepare a maturity profile of its assets and liabilities in the format and frequency prescribed by the Bank

Compliance on solo and consolidated basis

11. Where a bank or financial institution directly or indirectly controls another bank or financial institution, the requirements of these Regulations shall be met by each bank or financial institution on a solo basis, and the parent company shall comply on a solo and consolidated basis.

PART III
GENERAL PROVISIONS

Sanctions and Penalties

12. (1) Without prejudice to penalties and actions prescribed by the Act, the Bank may impose on any bank or financial institution any of the following sanctions for non-compliance-

(a) a penalty of the amount to be determined by the Bank;
(b) prohibition from declaring or paying dividends;
(c) suspension of the privilege to issue letters of credit or guarantee;
(d) suspension of access to the credit facilities of the Bank;
(e) suspension of lending and investment operations;
(f) suspension of capital expenditure;
(g) suspension of the privilege to accept new deposits;
(h) revocation of banking licence;
(i) suspension from office of the defaulting director, officer or employee; and

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(j) disqualification from holding any position or office in any bank or financial institution under the supervision of the Bank.

(2) The penalty referred to in paragraph (a) of sub regulation (1) shall apply to directors, officers or employees of the bank or financial institution.

Revocation GN No. 371 of 2008.

13. The Banking and Financial Institutions (Liquidity Management) Regulations, 2008 are hereby revoked.

Dar Es Salaam, …………………., 2014

BENNO J. NDULU,
Governor