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**THE ZANZIBAR MICROFINANCE SERVICE
ACT, NO. 9 OF 2023**

**THE ZANZIBAR MICROFINANCE SERVICE (SAVINGS AND
CREDIT COOPERATIVE SOCIETIES) REGULATIONS**

[Made under section 61(1)]

IN EXERCISE of the powers conferred upon me under section 61(1) of the Zanzibar Microfinance Service Act, No. 9 of 2023 **I, DR. SAADA MKUYA SALUM**, Minister of State, President’s Office, Finance and Planning, do hereby make the following Regulations: L.N 58 of 2025

**PART ONE
PRELIMINARY PROVISIONS**

1. These Regulations may be cited as the Zanzibar Microfinance Services (Savings and Credit Cooperative Societies) Regulations, 2025 and shall come into operation after being signed by the Minister and published in the Gazette. Short title and Commencement.

2. These Regulations shall apply to all microfinance service providers under Tier Three operating in Zanzibar. Application.

3. In these Regulations, unless the context requires otherwise: Interpretation.

“Act” means the Zanzibar Microfinance Service Act, No. 9 of 2023;

“agent banking” means the business of providing banking services on behalf of the banking institution under a valid agency agreement;

“Bank” has the meaning ascribed to it under the Bank of Tanzania Act, No. 4 of 2006;

“branch” means a place of business of a SACCOS other than its main registered office which is authorized by the Bank or Delegated Authority to administratively operate as a branch;

- “cease and desist order” means an administrative order of the Bank or Delegated Authority against the SACCOS to stop any unsafe and unsound practice;
- “charges” includes interest, profit, cost-plus mark-up, loan processing fees and other charges;
- “consumer” means a client or member of a microfinance service provider who acquires or intends to acquire the services of the microfinance service provider;
- “core capital” means fully paid up membership shares, statutory reserve fund, retained earnings, capital grants and donations that are not transitory in nature and are not meant to be paid out unless on liquidation of a SACCOS;
- “credit information” means any information including information about a person’s specific identification, full name, date of birth, place of residence, previous places of residence, marital status, spouse’s name, place of employment, previous places of employment, paying habits, outstanding debt obligations, assets and inquiries made of credit history or information relating to a legal entity or business that would identify the legal entity or business information on incorporation, tax, directors, governance, outstanding debt obligations, assets, inquiries made on credit history and other business details;
- “Credit Reference Bureau” has the meaning ascribed to it under the Act;
- “Delegated Authority” means the Department of Cooperatives Development delegated by the Bank to execute the functions and powers of the Bank in respect of the Savings and Credit Cooperative Societies under the Act;
- “Department” means the Department of Cooperatives Development established under the Zanzibar Cooperative Societies Act, No. 15 of 2018;

“institutional capital” means disclosed reserves, retained earnings, grants and donations all of which are not meant to be expended unless on liquidation of the SACCOS;

“liquidity” means an ability of a SACCOS to convert its assets to cash or acquire cash to pay its short term obligations or liabilities;

“micro leasing” means finance leasing operations where the average value of the asset in the portfolio is up to ten million shillings and the leasing term does not exceed twenty-four months;

“Minister” has the meaning ascribed to it under the Act;

“outlet” means a place of business of a SACCOS other than a branch authorized by the Bank or Delegated Authority to carry out limited SACCOS operations;

“place of business” means a branch, outlet, office, agency or mobile unit of a microfinance service provider open to the public;

“SACCOS” means Savings and Credit Cooperative Society registered under the Zanzibar Cooperative Societies Act, No.15 of 2018;

“Tier Three” means category of microfinance service providers comprising of SACCOS; and

“voluntary share” means funds that are withdrawable and may be used as a collateral subject to terms and conditions provided in the SACCOS by Laws.

**PART TWO
LICENSING PROCEDURES**

Application
for licence.

4.-(1) Subject to section 18(2) of the Act, a SACCOS which intends to provide microfinance services shall apply for the license to the Bank or Delegated Authority by filling a license application form prescribed under the First Schedule of these Regulations

(2) An applicant for licence shall pay non-refundable application fee of:

- (a) Three Hundred Thousand shillings for Category A Licence; and
- (b) One Hundred Fifty Thousand shillings for Category B Licence.

(3) An application referred to under subregulation (1) of this regulation shall be signed by an applicant or an authorized representative of the applicant and be accompanied with:

- (a) documents and information listed in the Second Schedule of these Regulations; and
- (b) any other document or information as may be required.

Prohibition
of unlicensed
microfinance
services.

5.-(1) A SACCOS shall not provide any microfinance services unless it is licensed by the Bank or Delegated Authority in accordance with the provisions of the Act.

(2) Any SACCOS which contravenes provisions of subregulation (1) of this regulation commits an offence and shall, upon conviction, be liable to penalty prescribed under section 6 (2)(b) of the Act.

Determination
of application

6.-(1) Subject to regulation 4 of these Regulations, the Bank or Delegated Authority shall, within thirty days from the date of receiving of a complete application, accept or refuse the application.

(2) Where the Bank or Delegated Authority receives incomplete documents for the purpose of application of license, it shall, before determining the application, require the applicant to:

- (a) submit the missing or additional documents or information; or
- (b) rectify or amend anomalies related to licensing requirements.

(3) Where the Bank or Delegated Authority accepts the application, it shall issue the licence as prescribed under the Third Schedule of these Regulations.

(4) Where the Bank or Delegated Authority refuses the application, it shall inform the applicant in writing the reasons for such refusal.

7.-(1) The Bank or Delegated Authority may refuse to issue a licence where: Refusal to issue licence.

- (a) the applicant has failed to meet prescribed terms and conditions for licensing; or
- (b) the applicant has provided false or misleading information.

(2) Where the Bank or Delegated Authority has refused to issue a licence, it shall within seven days from the date of its decision, notify the applicant in writing and state the reasons for such refusal.

(3) An applicant whose application has been refused may reapply, if the deficiencies that formed the basis for refusal of the initial application or subsequent review have been corrected or otherwise addressed.

8. Prior to granting a licence, the Bank or Delegated Authority may perform an inspection of the SACCOS' business premises, communication facilities and accounting and internal control systems. Inspection before granting licence.

9.-(1) A licence issued under these Regulations shall remain in force unless suspended or revoked in the manner provided in the Act. Validity of licence.

(2) A licence issued under these Regulations shall expire if business is not commenced within six months from the date the licence was issued.

Upgrading
category of
SACCOS
licence.

10. Where a SACCOS licensed under category B meets the minimum capital requirements for SACCOS licence under category A may apply for category A licence.

Revocation
of licence.

11.-(1) The Bank or Delegated Authority may, by notice to the SACCOS, revoke a licence where the SACCOS:

- (a) ceases to carry on microfinance services within one year;
- (b) violates the terms and conditions prescribed in the licence;
- (c) is wound up, liquidated or otherwise dissolved;
- (d) is deregistered under a relevant law; or
- (e) has contravened the provisions of the Act and these Regulations.

(2) The Bank or Delegated Authority shall, within fourteen days of the revocation, cause the name of a SACCOS whose licence has been revoked to be published in the Gazette and in a newspaper of wide public circulation.

Permissible
activities.

12.-(1) A SACCOS with category A licence may carry out any of the following activities:

- (a) all activities under subregulation (2) of this regulation;
- (b) micro-leasing;
- (c) accepting deposits from its members;
- (d) loan participations;
- (e) insurance agent;

- (f) agent banking;
- (g) Agent of mobile money operators
- (h) Investment in equities, securities or other economic projects;
- (i) Credit cards and prepaid cards; and
- (j) such other activities as may be authorized by the Minister.

(2) A SACCOS with category B licence may carry out any of the following activities:

- (a) offering membership and voluntary shares;
- (b) accepting savings from its members;
- (c) granting loans to its members;
- (d) making investments.
- (e) agent banking; and
- (f) Agent of mobile money operators.

13. A SACCOS shall not engage in any of the following activities: Prohibited activities.

- (a) operating current account for its customers;
- (b) accepting deposits from non-members;
- (c) foreign exchange business;
- (d) foreign trade operations;
- (e) trust operations;
- (f) debit cards; and
- (g) transfer of funds and payment orders.

Place of
business.

14. Every SACCOS shall:

- (a) have a place or places of business with proper address for providing microfinance services; and
- (b) prominently display its business name at the place of business.

Opening of
branches.

15.-(1) A SACCOS with category A licence that intends to open a branch to expand its operations shall, in writing, request the Bank or Delegated Authority for approval.

(2) The request made under subregulation (1) shall be accompanied with the following:

- (a) the proposed location of the branch;
- (b) purpose and objectives for opening a new branch;
- (c) detailed budget and source of funds for establishment of the branch;
- (d) projected balance sheet and income statement for two years after the start of proposed branch operations;
- (e) proposed branch organisational structure, names and curriculum vitae of head of branch; and
- (f) any other information as the Bank or Delegated Authority may require.

(3) In assessing the request under subregulation (2), the Bank or Delegated Authority shall take into consideration of the following:

- (a) viability of business at the proposed branch;
- (b) financial capacity of the SACCOS to fund the proposed branch;
- (c) whether the SACCOS meets the minimum capital requirement;
- (d) competence and ability of staff of the proposed branch;

- (e) whether the proposed branch meets the minimum security requirements as may be prescribed by the Bank or Delegated Authority; and
- (f) any other requirement as may be determined by the Bank or Delegated Authority.

(4) The Bank or Delegated Authority may undertake inspection of the proposed branch premises before commencement of operations.

(5) A SACCOS with category B licence shall not open a branch.

16. A SACCOS that intends to relocate a place of business shall, in writing, request the Bank or Delegated Authority for approval and the request shall be accompanied with the following information: Relocation of place of business.

- (a) reasons for relocation;
- (b) physical address of the new place of business; and
- (c) any other information as the Bank or Delegated Authority as may require.

17.-(1) A SACCOS shall not open or operate an outlet without the prior written approval of the Bank or Delegated Authority made pursuant to the provisions of these Regulations. Operating outlet.

(2) The request for approval made under subregulation (1) shall be accompanied by the following:

- (a) the security features and space available for offering SACCOS' loan products and services; and
- (b) any other information as the Bank or Delegated Authority may require.

PART THREE CAPITAL ADEQUACY

18.-(1) A SACCOS with category A licence shall commence operations with and maintain at all times a minimum core capital of one hundred million Tanzanian Shillings. Minimum capital requirements.

(2) A SACCOS with category B licence shall commence operations with and maintain at all times a minimum core capital of five million Tanzanian Shillings.

(3) Every SACCOS shall at all times maintain:

- (a) core capital of not less than eight percent of total assets;
- (b) institutional capital of not less than six percent of total assets; and
- (c) net institutional capital of not less than six percent of total assets.

Prohibition
on capital
transfer.

19. Unless otherwise authorized by the Bank or Delegated Authority a SACCOS shall not transfer funds from the core capital or statutory reserve fund if the institutional capital ratios are less than the minimum ratios required.

Reserve
fund.

20. Every SACCOS shall establish a reserve fund and institutional capital by retaining at least thirty-five percent of the net surplus after all expenses and costs have been paid.

Distribution
of net
surplus.

21. Subject to regulation 20 of these Regulations and SACCOS by-laws, a SACCOS may distribute any remaining net surplus after all expenses and costs have been paid and capital requirements met for the following purposes:

- (a) dividend on shares;
- (b) contribution to a development fund or transitory capital account;
- (c) contribution to any charitable, educational, medical or other purpose; and
- (d) such other payments as approved by the annual general meeting.

22.-(1) Subject to section 33 of the Act, every SACCOS shall provide in its by-laws for compulsory payment of dividends, profit or any other form of distribution to its members including the manner and period in which such payment shall be made.

Payment of dividends, profit and other distribution.

(2) Notwithstanding subregulation (1), no payment of dividends or any other form of distribution from the net surplus shall be effected unless:

- (a) institutional capital and net institutional capital to total assets ratios meet the minimum requirement established;
- (b) the amount in the statutory reserve fund is adequate to cover accumulated SACCOS losses;
- (c) share transfer fund have been set aside; and
- (d) prior approval of the General meeting.

23.-(1) Where a SACCOS fails to meet minimum capital requirements as provided under these Regulations, such SACCOS shall, within sixty days of the shortfall, submit to the Bank or Delegated Authority a capital restoration plan.

Requirement of capital restoration plan.

(2) The capital restoration plan provided under subregulation (1) shall at a minimum state the following:

- (a) the actions to be taken by management to increase the capital back to the minimum requirement;
- (b) timeframe for restoration of capital to the minimum requirement;
- (c) the level of capital to be achieved at the end of each quarter; and
- (d) any other information as the Bank or Delegated Authority may require.

(3) Where any SACCOS fails to meet its minimum capital requirement and has failed to submit or implement capital restoration plans, the Bank or Delegated Authority may take such administrative measures as may be appropriate.

PART FOUR GOVERNANCE

Management
committee.

24.-(1) Every SACCOS shall have a management committee that is composed of seven but not exceeding nine members elected by the General Meeting of the SACCOS.

(2) Without prejudice to subregulation (1), a person shall qualify to be a member of the Management Committee if he:

- (a) is able to read and write Kiswahili language;
- (b) has high level of integrity;
- (c) is not a leader in any other SACCOS; and
- (d) other qualifications as prescribed in the SACCOS by-laws.

Funtions of
management
committee.

25. The management committee of SACCOS shall:

- (a) ensure the SACCOS operates effectively and complies with the provisions of the Act, these Regulations, SACCOS by-laws and any other relevant legislation;
- (b) supervise implementation of all resolutions of the general meeting;
- (c) establish appropriate policies for lending, liquidity and asset liability management, human resources, investments, savings, finance, information preservation, and other policies as determined by the management committee;
- (d) make proposals for external borrowings;
- (e) ensure the accounts of the SACCOS are prepared and audited according to the Act, these Regulations and its by-laws;
- (f) determine dividend payments for approval of the Bank or Delegated Authority before presenting to the annual general meeting;

- (g) develop succession and disaster recovery plans and ensure the plans are tested periodically;
- (h) review the SACCOS annual budget and make recommendations to the general meeting for approval;
- (i) approve employment of competent staff to run SACCOS operations; and
- (j) approve the opening and use of SACCOS bank accounts.

26.-(1) A SACCOS shall not operate unless its management committee members have been vetted by the Bank or Delegated Authority. Vetting and disqualification of management committee members.

(2) The Bank or Delegated Authority may disqualify a Management Committee member of a SACCOS where the Bank or Delegated Authority finds out that such member: committee members.

- (a) has no required qualifications stipulated in the Act and these Regulations;
- (b) has engaged in dishonest or fraudulent activities;
- (c) has loans or other obligations delinquent for more than ninety days;
- (d) is found to have a conflict of interest that will affect his independence in discharging his duties;
- (e) was previously involved in mismanagement of a SACCOS or any financial institution; and
- (f) is in breach of the provisions of any relevant legislation.

(3) Where the Bank or Delegated Authority disqualifies the Management Committee member such member shall cease to involve in any activities of the Management Committee.

27.-(1) Every SACCOS shall appoint a credit committee for the purpose of facilitating its operations in accordance with the requirements of these Regulations and by-laws of the SACCOS. Appointment and functions of credit committee.

(3) Without prejudice to the provisions of subregulation (1) of this regulation, credit committee shall have the following functions:

- (a) supervise effective implementation of lending policy;
- (b) approve all loan applications according to term and conditions as provided by lending policy of respective SACCOS;
- (c) supervise loan repayment according to the repayment schedules;
- (d) receive credit performance reports including portfolio and loan aging from SACCOS manager and advise accordingly;
- (e) submit periodic reports of its activities to the management committee for consideration to annual general meeting;
- (f) consult and receive guidance from management committee on loans requests which requires exceptional consideration; and
- (g) performing other duties in accordance with the Act and these Regulations.

Employment
and
responsi-
bilities of
SACCOS
manager.

28.-(1) SACCOS may employ a qualified person who will act as manager of the SACCOS.

(2) Pursuant to subregulation (1), a person appointed to hold a position of a manager shall, in addition to the duties provided under the by-laws of the SACCOS, have the following duties:

- (a) ensuring the operating and reporting systems are efficient, reliable and facilitate communication;
- (b) preparing the annual budget and business plan in consultation with the management committee;
- (c) managing all staff matters including human resource development and training;

- (d) keeping proper financial records and timely preparation of financial statements;
- (e) preparing management reports to be tabled at the management committee meetings;
- (f) authorizing budgeted expenditures within the authority given by the management committee;
- (g) preparing and submit regulatory reports timely;
- (h) implementing recommendations set forth in the external audit, internal audit and inspection reports;
- (i) ensuring compliance with the Act, regulations, policies, procedures, by-laws of SACCOS and the code of conduct; and
- (j) performing other duties as assigned by the management committee.

(3) Notwithstanding the provision of subregulations (1) and (2), a person appointed to hold a position of the manager of the SACCOS shall:

- (a) for the case of SACCOS with category A licence, hold at least a diploma in finance, accounting, management or related fields; and
- (b) for the case of SACCOS with category B licence at least be able to read, write Kiswahili language, accounting and able to operate SACCOS.

(4) Notwithstanding provisions of subregulation (1) of this regulation, a SACCOS may employ such other officers who shall include accountant, credit officer, training officer and any officer as may be deemed necessary for better carrying out of its operations.

**PART FIVE
LENDING OPERATIONS**

Lending
Policy.

29.-(1) Every SACCOS shall have a lending policy consistent with the Act and these Regulations.

- (a) eligibility requirements for a loan;
- (b) types of loans and acceptable collateral;
- (c) loan limits including maximum loan limit per borrower and per product;
- (d) terms and conditions such as interest rates, profit, fees and charges and frequency of payments;
- (e) penalties or fees for late repayment;
- (f) maximum loan approval levels for the technical and credit committees;
- (g) loan guarantee requirements, if applicable;
- (h) monitoring and evaluation of credit quality;
- (i) grace period, if applicable;
- (j) loan recovery and follow-up procedures;
- (k) criteria and procedure, for restructuring of loans;
- (l) criteria and procedure for charge off non-performing loans which has not been paid for more than ninety days;
- (m) loan tenure;
- (n) relevant forms used for loan application; and
- (o) any other relevant information as may be deemed necessary to a SACCOS.

(2) The Policy referred to under subregulation (1) shall include the following:

30.-(1) A SACCOS shall ensure that every member who intends to obtain a loan submits an application to the SACCOS using a standard form. Loan application.

(2) The standard form referred to under sub regulation (1) shall include the following particulars:

- (a) applicant's full name;
- (b) date of birth or date of registration;
- (c) place of residence, place of business or place of work;
- (d) contact details includes phone number, email address and postal address if any;
- (e) occupation or type of business;
- (f) the loan purpose;
- (g) economic sector;
- (h) the loan amount requested;
- (i) the collateral offered;
- (j) marital status;
- (k) number of dependents;
- (l) current income;
- (m) expenses;
- (n) other outstanding loans; and
- (o) such other information as may be required.

(3) Without prejudice to subregulation (2) of this regulation, the loan application form shall contain a requirement that the applicant

consent and declare that his credit information may be shared in accordance with the requirements of the Act and these Regulations.

Loan approval.

31.-(1) A SACCOS shall not grant a loan without the approval of the credit committee.

(2) The credit committee shall not approve a loan unless the loan is partially or fully secured.

Loan agreement.

32.-(1) A SACCOS shall consider a loan application in accordance with its lending policy and shall, if satisfied that a borrower meets the loan conditions and has the capacity to repay the loan, enter into a loan agreement with the borrower.

(2) The loan agreement referred to under subregulation (1) shall be written in Kiswahili or English language based on borrower's preference, and shall include the following:

- (a) loan amount;
- (b) all fees and charges;
- (c) loan repayment schedule that includes the number of instalments, total amount of each instalment indicating principal, charges and fees and due date of each payment;
- (d) sum of all payments until the loan is fully paid;
- (e) late payment penalty;
- (f) loan recovery procedures;
- (g) notice of security interest for collateral used to secure the loan, if applicable;
- (h) signatures of both the borrower and authorized officer by the SACCOS;
- (i) required savings or share amounts and if these funds may be used to pay up past due loan; and

- (j) any other relevant disclosures as may be directed by the Bank or Delegated Authority.

33. Where a loan application is denied, the SACCOS shall within seven days communicate to the applicant the reasons for refusal.

Reasons for loan refusal.

34.-(1) Any loan or sum of loans to a member shall not exceed ten percent of the core capital of the SACCOS unless such loan is fully secured by voluntary shares, savings, deposits or property.

Loan security and collateral.

(2) Where a loan is not fully secured by voluntary shares, savings, time deposits or goods, the loan shall not exceed five percent of the core capital of the SACCOS.

(3) Before granting a loan, a SACCOS shall ensure that:

- (a) loan collateral is properly documented or registered;
- (b) where the owner of the collateral is not the borrower, the borrower shall have a written legal authorization to use the collateral to secure the loan;
- (c) a register of all collaterals containing all necessary particulars of the collateral is maintained; and
- (d) membership shares are not used as collateral for loan granted by SACCOS.

35.-(1) A member may guarantee a loan to another member provided that such member has adequate collaterals including voluntary shares, savings, time deposits and other acceptable collaterals.

Loan guarantee.

(2) A SACCOS shall adequately inform every guarantor of the nature of his liability prior to signing an agreement creating guarantor liability.

(3) Where a SACCOS recovers a loan from the guarantor, the SACCOS shall issue a written document acknowledging repayment of the loan.

Related party transactions.

36.-(1) A SACCOS shall not grant a loan to a management committee or credit committee member or their related parties unless such a loan has been approved by the majority of the management committee members or credit committee members.

(2) A Management Committee or Credit Committee member shall excuse himself from the meeting in which his loan application is being discussed.

(3) A SACCOS may grant loan to its employee in accordance with the procedures approved by the general meeting.

Loan repayment.

37.-(1) A member has the right, to repay a loan prior to its maturity either in whole or in part to reduce outstanding principal amount, charges and fees owed.

(2) Subject to subregulation (1), where the loan is paid in full prior to its maturity, a member shall not be required to pay charges for the remaining period to maturity.

(3) A SACCOS shall keep proper records of all loan payments received from a borrower indicating date and amount received.

Loan participation terms and conditions.

38.-(1) A SACCOS with category A licence may borrow or lend to another SACCOS for purposes of funding liquidity short falls provided that:

- (a) a borrowing SACCOS shall not exceed the limit for external borrowings as provided in these Regulations;
- (b) where there is a request for lending or borrowing to other SACCOS, there shall be a prior approval of the General Meeting.
- (c) the terms and conditions for borrowing or lending shall be evidenced by a signed written agreement between or among the participating SACCOS and such agreement shall be approved by the Bank or Delegated Authority; and

- (d) the provisions of regulations 34 and 35 shall apply the same.

(2) Where a SACCOS is not an originating lender, such SACCOS shall:

- (a) participate only in loans it is able to grant;
- (b) have a policy in place which sets forth the loan underwriting standards prior to entering into a loan participation agreement;
- (c) participate only in loans made to members of another borrowing SACCOS;
- (d) retain the origin or copy of the written participation agreement and repayment schedule of the loan; and
- (e) obtain approval of the management committee for the disbursement of loan to the originating lender.

39.-(1) A SACCOS shall consider a loan as delinquent where:

Delinquent loans.

- (a) the payment made is less than a full instalment;
- (b) one full loan repayment has been missed as per contractual terms;
- (c) the borrower has missed repayment for more than thirty days whether such repayment is for interest or principal loan; or
- (d) in case of a one-off repayment loan, total principal balance or charges are not repaid within thirty days after due date;

(2) Where a member of a SACCOS defaults in the repayment of a loan or an instalment of a loan, such member shall not be granted another loan until he pays the existing loan.

40.-(1) Every SACCOS shall classify its loan portfolio into the following categories:

Loan classification and provisioning.

- (a) current;
- (b) especially mentioned;
- (c) substandard;
- (d) doubtful; and
- (e) loss

(2) The criteria for classifying loan portfolio and the minimum amount of provisions for each category of classification shall be as prescribed in the Fourth Schedule of these Regulations.

Accrual of charge on delinquent loans.

41.-(1) A SACCOS shall suspend the accrual of charge on delinquent loans and advances once a loan is delinquent for more than ninety days.

(2) Any accrued but uncollected charge on loans referred to under subregulation (1) shall be placed in suspense.

(3) A SACCOS may restore a loan placed on a non-accrual basis to an accrual basis provided that the borrower has regularized the loan.

Debt collection or recovery.

42.-(1) Subject to section 52 of the Act, a SACCOS shall collect or recover a loan from a member in accordance with recovery procedures prescribed in its lending policy.

(2) For the purpose of ensuring that the procedures for debt collection or recovery comply with the consumer protection principles, a SACCOS shall:

- (a) issue a fourteen days written notice to the borrower before debt collection or recovery process is initiated;
- (b) not harass, abuse or oppress a borrower, guarantor or any person in connection with collection or recovery of a debt;
- (c) not threaten or use violence or illegal means in collecting or recovering a debt;
- (d) not use obscene or profane language;

- (e) not use any false, deceptive, or misleading representation or means such as:
 - (i) false representation of character, amount, or legal status of any debt;
 - (ii) false representation or implication that any individual is an attorney or that any communication is from an attorney;
 - (iii) threat to take any action that cannot legally be taken or that is not intended to be taken; and
 - (iv) communicating or threatening to communicate to any person credit information that is known to be false.

(3) A SACCOS shall not collect interest, fees, charges, or expenses unless they are prescribed in the loan agreement.

(4) A SACCOS may engage a debt collector to collect or recover a loan from a member provided that such debt collector:

- (a) has been approved by the Bank of Delegated Authority;
- (b) carries out debt collection or recovery in compliance with the requirements of subregulations (2) and (3); and
- (c) adhere to relevant laws governing debt recovery.

43.-(1) Subject to its Lending Policy, a SACCOS shall write-off a ^{Loan} loan where: _{write-off.}

- (a) the loan is in a loss category for more than one year;
- (b) the SACCOS has lost contractual rights over the loan;
- (c) the loan is deemed uncollectible;
- (d) there is no realistic prospect of recovery as a court has ruled against the SACCOS;
- (e) all collateral has been repossessed, valued and sold and

the proceeds failed to cover the entire amount due; or

- (f) a SACCOS is unable to collect the loan and there is no collateral.

(2) Where a loan is written-off under these regulations, a SACCOS shall ensure that:

- (a) such loan is maintained off-balance sheet; and
- (b) efforts to collect the loan continue.

PART SIX

LIQUIDITY AND ASSET LIABILITY MANAGEMENT

Asset liability management policy. **44.**-(1) Every SACCOS shall formulate a liquidity and asset Liability management policy.

(2) The policy referred to under subregulation (1) shall include the following:

- (a) the individual responsible for liquidity and asset liability management;
- (b) methods and ratios used to monitor liquidity as set forth in these Regulations;
- (c) maximum cash holding limit;
- (d) frequency of analysing liquidity and asset liability management positions; and
- (e) contingent liquidity planning.

(3) The policy referred to under subregulation (1) shall be reviewed annually to ensure that the policy remains relevant and prudent.

(4) The liquidity and asset liability management policy shall be submitted to the Bank or Delegated Authority not later than thirty days after being approved by the General Meeting, provided that where any changes are made to the policy, the SACCOS shall clearly indicate areas of such changes.

45.-(1) A SACCOS shall prepare and submit to the Bank or Delegated Authority a liquidity contingency plan for dealing with liquidity stress scenarios approved by its General Meeting. ^{liquidity contingency plan.}

(2) The liquidity contingency plan shall, at minimum include procedures for funding cash flow shortfalls, expected sources of funds, an assessment of the cost of alternative funding strategies and the impact on the capital of the SACCOS.

46.-(1) A SACCOS shall maintain minimum liquid assets amounting to not less than fifteen percent of its members' total deposits, savings, short term borrowings and other short term liabilities. ^{Minimum liquid asset ratio.}

(2) For the purposes of this regulation, "liquid assets" includes:

- (a) notes and coins which are legal tender in the United Republic of Tanzania;
- (b) balances held at banks and financial institutions;
- (c) unencumbered treasury bills and bonds the Bank; and
- (d) such other assets as the Bank or Delegated Authority may specify.

47. Unless authorized by the Bank or Delegated Authority, a SACCOS shall not keep more than sixty percent of its total deposits in a single bank or financial institution. ^{Deposit in banks.}

48.-(1) Upon approval of the general meeting, a SACCOS may borrow from external sources provided that: ^{External borrowing.}

- (a) the borrowing is approved by the Bank or Delegated Authority; and
- (b) its total external borrowings do not exceed fifty percent of total assets.

(2) For the purpose of this regulation, "external borrowings" means borrowings from non-members including banks and financial institutions.

Investment
policy.

49.-(1) Every SACCOS shall formulate an investment policy.

(2) The policy referred to under subregulation (1) shall include the following:

- (a) permissible investments in accordance with relevant laws;
- (b) investment limits in each category of investment;
- (c) identification of risks and mitigation strategies;
- (d) type and frequency of reports to be submitted to the management committee; and
- (e) approval procedures and limits.

(3) The policy referred to under subregulation (1) shall be submitted to the Bank or Delegated Authority not later than thirty days after being approved by the General Meeting, provided that where any changes are made to the policy, the SACCOS shall clearly indicate areas of such changes.

Investment
requirements.

50.-(1) A SACCOS shall not make an investment unless such investment:

- (a) complies with the approved Investment Policy;
- (b) complies with the requirements of the provisions of the Zanzibar Cooperative Societies Act, 15 of 2018;
- (c) has been approved by the general meeting of the SACCOS and
- (d) in case of financial investment, is made with intention of holding to maturity.

(2) A SACCOS may invest in:

- (a) interest bearing deposits of banks or financial institutions;
- (b) other SACCOS;

- (c) Government securities;
- (d) non-earning assets; or
- (e) any other investment as may be approved by the General Meeting.

(3) Where a SACCOS invests in non-earning assets, such investment shall not exceed:

- (a) ten percent of its total assets in case of investment in machines or equipment; and
- (b) five percent of its total assets in case of investment in land or buildings, unless a waiver to that effect has been granted by the Bank or Delegated Authority.

PART SEVEN ACCOUNTS AND AUDIT

51.-(1) A SACCOS shall keep proper books of accounts and other records in relation to its operations which are sufficient to show and explain its transactions and financial position. Books of accounts and records.

(2) The books of accounts and records referred to under sub regulation (1) shall:

- (a) correctly explain all transactions, including all applications for loans and all loan transactions;
- (b) enable the financial position of the SACCOS to be determined with reasonable accuracy at any time;
- (c) allow for the timely preparation of financial statements;
- (d) include underlying documentation which shall be kept to reflect details of:
 - (i) all transactions indicating of all receipts and expenditures;

- (ii) all sales, purchases and other transactions; and
- (iii) the assets and liabilities of the SACCOS.

Financial year.

52. For the purpose of accounting, auditing and reporting, a financial year of a SACCOS shall commence on 1st January and end on 31st December of each year.

Preparation and submission of accounts.

53. Every SACCOS shall prepare accounts and within four months from the end of financial year submit to the Bank or Delegated Authority, copies of annual audited accounts and audit report.

Disclosure of financial statements.

54.-(1) Subject to section 39 of the Act, every SACCOS shall display in its place of business a copy of its current audited financial statements.

(2) The audited financial statements referred to under subregulation (1) shall:

- (a) include balance sheet, income statements, cash flow statements and statement of changes in equity;
- (b) be displayed in a conspicuous position in the public part of its principal place of business and in its branches and outlets; and
- (c) be displayed throughout the year.

Internal auditor.

55.-(1) A SACCOS shall appoint an internal auditor to evaluate the adequacy and effectiveness of internal controls, risk management and governance processes.

(2) The internal auditor appointed under subregulation (1) shall, at a minimum, hold a diploma in accountancy or its equivalent and at least one-year experience in the relevant field.

(3) A SACCOS may outsource internal audit function from a registered audit firm or qualified individual.

Reporting by internal auditor.

56.-(1) An internal auditor shall report to the supervisory committee.

(2) The reports of the internal auditor shall contain audit findings, recommendations and responses of management of the SACCOS.

57. The duties of the internal auditor shall include:

- (a) verification of cash without prior notification;
- (b) bank account reconciliation;
- (c) reconciliations between the general ledger balances and the subsidiary ledger balances;
- (d) checking loan files for compliance;
- (e) verification of the SACCOS' assets and investments;
- (f) checking the adequacy of provision for loan losses;
- (g) checking for compliance with policies and procedures;
- (h) checking for compliance with the Act, and other relevant legislation;
- (i) assessing regularity and completeness of minutes and management reports;
- (j) assessing the adequacy of management information system;
- (k) assessing the accuracy and reliability of the accounting records and financial reports;
- (l) determining that reports and information submitted to the Bank or Delegated Authority are accurate and timely provided;
- (m) determining whether accounting procedures and controls are adequate;
- (n) verifying implementation and maintenance of the appropriate internal controls by the management;
- (o) ensuring that all internal and external audit findings and

Duties of
internal
auditor.

- recommendations are implemented; and
- (p) assessing the efficiency of the usage of resources.

Internal
audit plan.

58.-(1) An internal auditor shall prepare an annual audit plan for the assignments to be performed during the next financial year.

(2) The annual audit plan referred to under subregulation (1) shall, include:

- (a) the timing and frequency of planned internal audit work;
- (b) evaluation of internal controls; and
- (c) details of the necessary resources in terms of personnel and other resources.

(3) The annual audit plan shall be presented to the supervisory committee for review and to the management committee for approval not later than 31st December each year.

External
audit.

59.-(1) The accounts of a SACCOS shall be audited at least once in a year by a registered auditor who is approved by the Bank or Delegated Authority.

(2) Where a SACCOS fails to appoint an external auditor or to fill any vacancy for an external auditor which may arise, the Bank or Delegated Authority may appoint, on behalf of the SACCOS, an external auditor and fix his remuneration which shall be paid by the SACCOS.

(3) A SACCOS shall not remain without an external auditor for more than ninety days from the date the position falls vacant.

(4) Without prejudice to subregulation (1), an external auditor shall not perform the external audit of a SACCOS if such auditor:

- (a) is related to officers or employees of the SACCOS; or
- (b) is a member of the SACCOS.

60. External auditor may have access to any present or former SACCOS officer or employee to obtain information necessary for the purpose of the particular auditing.

External auditor to access employees.

61. The external auditor shall immediately report to the Bank or Delegated Authority if, during the course of the audit, he becomes aware of:

Reporting of irregularities.

- (a) any serious breach of or non-compliance of the provisions of the Act, Anti Money Laundering and Proceeds of Crimes Act, No.10 of 2009 or these Regulations;
- (b) any criminal offence involving fraud or other dishonesty committed by SACCOS or its management or employees; and
- (c) any losses incurred which has caused the SACCOS to be undercapitalized.

62. An external auditor shall present the audit report before the Annual General Meeting after Management Committee approved.

Presentation of audit report to Annual General Meeting.

63. A SACCOS shall not, in the course of performance of the audit work, change its external auditor except with the prior written approval of the Bank or Delegated Authority.

Change of external auditor.

PART EIGHT INSPECTION AND SUPERVISION

64.-(1) The Bank or Delegated Authority shall, in exercising its powers of inspection under the Act, perform onsite and offsite inspection of SACCOS.

Inspection of SACCOS.

(2) The inspection referred to under subregulation (1) shall include the following:

- (a) ascertaining SACCOS compliance with its by-laws and

policies in carrying out its operations;

- (b) examining operations and financial position of a SACCOS;
- (c) assessing the effectiveness of the internal controls;
- (d) analysing periodic reports submitted by SACCOS; and
- (e) any other matters as may be determined by the Bank or Delegated Authority.

(3) Upon the conclusion of onsite inspection under sub regulation (1), the Bank or Delegated Authority may make and forward a copy of inspection report to the management committee or general meeting of the SACCOS.

(4) The supervisory committee of the SACCOS shall ensure that appropriate actions are taken to address issues raised in the report.

Submission
of periodic
reports.

65. A SACCOS shall submit to the Bank or Delegated Authority periodic reports in the format and frequency to be prescribed by Bank or Delegated Authority.

Supervisory
memorandum
of
understanding

66.-(1) Where it is proved that a SACCOS is not performing well and normal supervision procedures cannot remedy the situation, the Bank or Delegated Authority may enter into a Supervisory Memorandum of Understanding with the management committee of the SACCOS to remedy the shortcomings.

(2) The Memorandum of Understanding entered under sub regulation (1) shall set forth specific corrective or remedial actions to be taken by the SACCOS within a specified time and shall be signed by the Management Committee and the Bank or Delegated Authority.

(3) Where the SACCOS fails to comply with the actions and time frame in the Memorandum of Understanding, the Bank or Delegated Authority may revoke its license.

67.-(1) The Bank or Delegated Authority may issue a cease and desist order directing the SACCOS to address the unsafe and unsound practices that have not been sufficiently addressed through other supervisory actions. ^{Issuance of cease and desist order.}

(2) The Bank or Delegated Authority may issue a cease and desist order where a SACCOS has:

- (a) engaged or continues to engage in any unsafe business practice;
- (b) violated or continues to violate the Act, these Regulations, its by-laws or policies; or
- (c) failed or continues to fail to comply with the Supervisory Memorandum of Understanding.

68.-(1) The Bank or Delegated Authority may take-over management of a SACCOS where: ^{Management and take-over.}

- (a) the Bank or Delegated Authority considers that the SACCOS is not:
 - (i) in a sound financial condition;
 - (ii) operating in accordance with sound administrative and accounting practices and procedures;
 - (iii) adhering to proper risk-management policies; or
 - (iv) complying with instructions issued by the Bank or Delegated Authority;
- (b) the SACCOS fails to comply with the minimum capital requirements prescribed in these regulations;
- (c) the SACCOS refuses to be inspected by the Bank or Delegated Authority as required by the Act;
- (d) the SACCOS licence has been revoked; or
- (e) the SACCOS is undertaking microfinance business in a

manner contrary to the Act or detrimental to the interests of members.

(2) Upon take-over under subregulation (1), the Bank or Delegated Authority may utilize the services of private persons to manage the SACCOS if the Bank or Delegated Authority determines that doing so is the most practicable, efficient and cost effective manner.

(3) Costs of management of a SACCOS during the period of take-over shall be borne by the SACCOS.

(4) During take-over, no attachment or lien except a lien created by the Bank or Delegated Authority shall attach to any property or asset of the SACCOS.

End of
management
of the Bank
or Delegated
Authority.

69.-(1) Management of the Bank or Delegated Authority shall end upon improvement of the SACCOS' financial condition and operations or within six months.

(2) The Bank or Delegated Authority may extend the six months' period referred to under subregulation (1) where the financial condition and operations of the SACCOS have not improved.

(3) All changes made by the Bank or Delegated Authority to the policies, procedures or management of the SACCOS during the period of management shall, unless otherwise directed by the Bank or Delegated Authority, remain valid upon termination of such management.

(4) The Bank or Delegated Authority shall, where the financial condition and operations of the SACCOS have not improved after expiry of six months or the period extended by the Bank or Delegated Authority under subregulation (2), order liquidation according to the applicable law.

PART NINE CONSUMER PROTECTION

Shares,
savings
and deposit
disclosure
requirements.

70.-(1) Every SACCOS shall in writing disclose the terms and conditions for each share, savings and time deposit to its members and potential members.

(2) A SACCOS shall provide share, savings or deposit account statements to a member upon request.

(3) Where an account is held by more than one member or a loan is granted to more than one member, disclosures may be made to any one of the members.

(4) In the case of dividend payment, the SACCOS shall disclose past rates or the prospective dividend rate and prospective annual percentage yield and method used to calculate the dividend payment.

71.-(1) Every SACCOS shall have a member's complaints handling and dispute resolution mechanism which includes: Complaints handling and dispute resolution mechanism.

- (a) the manner in which a complaint will be submitted;
- (b) having a designated officer for handling complaints; and
- (c) time frame for handling disputes and providing feedback.

(2) Every SACCOS shall ensure that the customer complaints handling and dispute resolution mechanism and the relevant contact information including phone numbers or emails are displayed in a conspicuous position in the public part of its principal place of business.

(3) The disclosures referred to in subregulation (2) shall be displayed in Kiswahili or both Kiswahili and English.

72.-(1) A SACCOS shall provide financial education to its members which shall cover the following subject matters: Financial education.

- (a) key features of products and services offered;
- (b) terms and conditions of loans;
- (c) cash flow management;
- (d) record keeping;
- (e) financial decision making;
- (f) management of loans usage and repayment;

- (g) business planning;
- (h) importance of saving; and
- (i) any other aspects considered relevant.

(2) Financial education referred to under subregulation (1) may be conducted through:

- (a) one on one sessions;
- (b) fliers and brochures;
- (c) training;
- (d) seminars;
- (e) workshops;
- (f) websites;
- (g) counselling sessions; and
- (h) any other manner as may be considered appropriate.

PART TEN MISCELLANEOUS PROVISIONS

Business
continuity
plan.

73.-(1) A SACCOS shall formulate a business continuity plan which shall include the following:

- (a) the person or persons responsible for implementing, monitoring, evaluating and reviewing the plan;
- (b) the duties and responsibilities of the officers for assessing the situation, providing information, and establishing member service;
- (c) identification of alternative locations with the necessary equipment to maintain critical operations for a sufficient time period in the event of a disaster;
- (d) identification of the critical information needed to operate the SACCOS in case of disaster; and

- (e) a security plan designed to protect the SACCOS' premises.

(2) The business continuity plan shall be reviewed and tested at least once annually.

74.-(1) A SACCOS shall, having ascertained the proper identities of borrowers, report to the credit reference bureaux detailed information about all credit facilities extended to each borrower, in the format that the Bank or Delegated Authority may prescribe.

(2) A SACCOS shall submit credit information to the credit reference bureaux on monthly basis for all existing and new credit facilities granted.

(3) A SACCOS shall access and use credit information through the credit reference bureau in a manner prescribed in the Bank of Tanzania (Credit Reference Bureau) Regulations, 2012.

(4) A SACCOS shall provide complete, accurate and timely credit information.

(5) Without prejudice to the requirements of this regulation, a SACCOS shall comply with the requirements of Bank of Tanzania (Credit Reference Bureau) Regulations, 2012.

75. A SACCOS shall ensure that all borrowers execute a written consent to allow the SACCOS to obtain from, exchange with or disclose all credit information relating to the borrowers, lenders or credit reference bureaux.

76. Without prejudice to penalties and actions prescribed under the Act, the Bank or Delegated Authority may impose on any SACCOS any of the following administrative measures for non-compliance:

- (a) prohibition from declaring or paying dividends;
- (b) prohibition from opening or establishing new branches or outlets;
- (c) suspension of lending and investment activities;

- (d) revocation of license;
- (e) a formal warning to a defaulting management committee member or manager;
- (f) suspension from office of the defaulting management committee member or manager;
- (g) disqualification from holding any position or office in any SACCOS under the supervision of the Bank or Delegated Authority;
- (h) a penalty of the amount to be determined by the Bank or Delegated Authority of not less than five hundred thousand shillings and not more than five million shillings; and
- (i) any other administrative measures as the Bank or Delegated Authority may prescribe.

Appeal.

77.-(1) A person who is aggrieved by the decision of the Bank or Delegated Authority under these Regulation may, within thirty days from the date of the decision, appeal to the Minister.

(2) The appeal made under subregulation (1) of this regulation shall be in writing and shall clearly state:

- (a) the grounds for the appeal; and
- (b) any other relevant matters.

(3) Subject to subregulation (1) of this regulation, the Minister shall, within sixty days from the date of receipt of the appeal, determine the appeal.

(4) In determining the appeal, the Minister may require the appellant to furnish all necessary information and documents which form the basis of the appeal.

Transition
period.

78.-(1) A SACCOS which was providing microfinance services before commencement of these Regulations and which intends to

continue with such services shall apply for Licence within a period of six months from the date of commencement of these Regulations.

(2) A SACCOS which fails to meet the requirements of subregulation (1) of this regulation, shall close its business and cease to operate.

79.-(1) Where a SACCOS intends to provide services to its members who are employees of any organization and whose shares, savings, deposits and loan repayments are made through deductions from employees' salaries, such SACCOS shall enter into a Memorandum of Understanding with the employer providing for the following:

Memorandum of understanding between SACCOS and employers.

- (a) terms and conditions for collection of shares, savings and deposits;
- (b) the requirements for deductions of loan repayments from the employees' salaries and remittance to the SACCOS;
- (c) obligations of the employer and SACCOS; and
- (d) any other relevant terms;

(2) For the purpose of this regulation, "services" include collection of shares, savings, deposits and provision of loans.

FIRST SCHEDULE

APPLICATION FORM FOR A LICENCE
[Made under regulation 4(1)]

1. Name of the SACCOS:

Reg. No: Date of Registration

2. Location of Registered Office:
3. Physical Address of Head Office:

Building No:

Street:

Shehia:

4. Postal Address.....Postal Code.....

Telephone No.

E-mail Address.

5. Where applicable, names of places of business in Tanzania and the number of years each has been established and has conducted or carried out business.

S/No.	Name of Branch/Agency/ Outlet	Year Established	No. of Years in Operation
1.			
2.			
3.			

6. Where applicable, a list of other places of business. Provide name of the place of business, state whether it is a mobile unit, ATM or point of sale etc.
7. Former name(s), if applicable, by which the SACCOS has been known
1. from to
 2. from to
8. Details of Capital
- (a) Paid-up value
 - (b) Core capital
 - (c) Institutional capital
9. Particulars of Officers:

(a) Management Committee Members

S/N	Full Name	Address	Date of Appointment	Experience
1.				
2.				
3.				

(b) Senior Management

S/N	Full Name	Designation	Academic/ Professional Qualifications	Year Obtained	Date of Appoin- tment	Previous Employment
1.						
2.						
3.						

10. Names of Bankers and their Address

1. P. O. Box

2. P. O. Box

3. P. O. Box

11. Has the SACCOS ever been put under receivership or made any compromise or arrangement with its creditors or otherwise failed to satisfy creditors in full? If so, give particulars

.....
.....
.....

SECOND SCHEDULE

LICENSING REQUIREMENTS

[Made under regulation 4(3)(a)]

Requirements for Category A Licence

- (a) all items listed under requirements for category B Licence;
- (b) business plan for three years of operations that includes:
 - (i) the vision, mission and objectives;
 - (ii) organizational structure;
 - (iii) products and services;
 - (iv) branch expansion plans if applicable;
 - (v) strategy for growth; and
 - (v) projected statement of financial position, income statements and cash flow statements and the assumptions used to make the projections for three years of operations; and
- (c) policies for investments, human resources, savings, liquidity, finance, collections and internal procedures and control manuals.

Requirements for Category B Licence

- (a) certified copy of the current SACCOS by-laws;
- (b) certified copy of registration certificate issued by the Department;
- (c) full names and addresses of the management committee members, supervisory committee members and senior officers of the SACCOS;

- (d) copy of the lending policy;
- (e) copy of the Tanzania National Identity Card, Zanzibari Resident Identity Card, voter's registration Card or passport for each member of management committee and senior officers;
- (f) two passport size photographs of Management Committee members and senior officers;
- (g) resolution of the general meeting to apply for a licence; and
- (h) proof of payment of application fee.

THIRD SCHEDULE

LECENCE

[Made under regulation 6(3)]

BANK OF TANZANIA/DELEGATED AUTHORITY

LICENCE NO. MSP3-

LICENCE TO CONDUCT MICROFINANCE BUSINESS

Issued under Section 19 of the Zanzibar Microfinance Service Act, No. 9 of 2023

CATEGORY.....

This LICENCE is issued to (Name of SACCOS) Reg. No.of (Address) and authorizes the said SACCOS to conduct microfinance business in Zanzibar under Tier 3 with category..... Licence.

This License is issued subject to the provisions of the Zanzibar Microfinance Service Act, No.9 of 2023 and conditions set forth in our letter with reference No. dated

Dated this day of Year.....

NAME AND SIGNATURE

FOURTH SCHEDULE

LOAN CLASSIFICATION AND PROVISIONING

[Made under regulation 40(2)]

A. THE CRITERIA FOR CLASSIFYING LOAN PORTFOLIO

Number of days past due	Classification
0 to 30 days	Current
31 to 90 days	Especially Mentioned
91 to 180 days	Substandard
181 to 365 days	Doubtful
More than 365 days	Loss

B. MINIMUM AMOUNT OF PROVISIONS FOR EACH CATEGORY OF CLASSIFICATION

Classification	Provision
Especially Mentioned	10%
Substandard	30%
Doubtful	50%
Loss	100%

SIGNED on this 20th day of May, 2025

(DR. SAADA MKUYA SALUM)
MINISTER OF STATE, PRESIDENT'S OFFICE,
FINANCE AND PLANNING
ZANZIBAR

