



FINANCIAL MARKETS DEPARTMENT

RULES GOVERNING THE INTRADAY AND THE LOMBARD CREDIT FACILITIES

1.0 CITATION

2.0 COMMENCEMENT

The Rules shall come into force with effect from

3.0 DEFINITIONS:

Unless the context requires otherwise, the following terms shall have the meaning ascribed thereto as follows:

- 1.1 “the Bank” means the Bank of Tanzania
- 1.2 “Eligible Securities” means Treasury bills or Treasury bonds with remaining days to maturity of more than three days
- 1.3 “Intraday Loan Facility” means a credit extended for a period of less than one business day
- 1.4 “Lombard Loan Facility” means a standing facility that provides overnight-collateralised advances to commercial banks.
- 1.5 “TISS” means the Tanzania Inter-Bank Settlement System.

4.0 INTRADAY LOAN FACILITY

4.1 APPLICATION

Commercial banks shall apply for Intraday Loan Facility in accordance with the terms and conditions hereunder:

4.1.1 Eligibility

The intra-day loan facility shall be available to all commercial banks which are Tanzania Inter-Bank Settlement System (TISS) participants holding sufficient eligible securities.

4.1.2 Interest

No interest shall be charged or paid on the amount borrowed through the intra-day loan facility.

4.1.3 Collateral

The commercial banks shall request for the Intraday Loan Facility through the Bank's Central Depository System (CDS) specifying:

- a) Amount required in Tanzania shillings;
- b) Eligible Securities to be attached.

4.1.4 Safety Margin

The safety margin shall be as per Collateral Management Framework.

4.1.5 Repayment

Intraday loan shall be paid on the same business day.

4.2 **CONVERSION OF INTRADAY LOANS**

4.2.1 The Bank shall convert, without prior notice, the Intraday Loan Facility into Lombard loan 5 minutes prior to final cut off time of the TISS.

4.2.2 Where Intraday Loan Facility has been converted into Lombard Loan Facility, the Bank shall impose a penalty of TZS 5 million on each automatic conversion and the terms and conditions for Lombard Loan Facility shall apply thereafter.

5.0 **LOMBARD LOAN FACILITY**

5.1 **APPLICATION**

Commercial banks shall apply for Lombard Loan Facility in accordance with the terms and conditions hereunder:

5.1.1 Eligibility

The Lombard facility shall be available to all commercial banks, which maintain settlement accounts with the Bank and hold sufficient eligible securities.

5.1.2 Time Frame

This shall be an overnight facility.

5.1.3 Interest

The Lombard rate shall be based on the prevailing weighted average yield of 35-day T-bill, Repo or overnight inter-bank rate whichever is higher in the market for the previous day plus 50% of the highest rate. The day count for interest computation shall be 365 days.

5.1.4 Collateral

The commercial banks may request for the Lombard Loan facility through the Central Depository System (CDS) with attachments of eligible securities.

5.1.5 Safety Margin

The collateral value shall be as per Bank's Collateral Framework.

5.1.6 Transfer of Funds

5.1.6.1 Funding

A commercial bank, which fulfils the above conditions, shall be granted the Lombard facility and the pledged securities shall be transferred to the Bank's holding account.

5.1.6.2 Repayment

The Lombard facility and attributable interest cost shall be paid to the Bank by the respective commercial bank by 11.30 a.m. the next business day

Commercial bank shall send MT 202 to the Bank with the following details:

- Beneficiary Account:9963301001
Standby Credit Facility account.

Partial repayment is strictly not allowed and will not be considered as part of the repayment of Lombard Loan.

5.1.6.3 Failure to repay

In case a commercial bank fails to repay Lombard Loan by 11.30 a.m. the next business day, the Bank shall debit the principal amount and interest cost from the commercial bank clearing account.

In case the clearing account do not have the adequate amount to repay the Lombard loan, the Bank shall forfeit the pledged securities and charge a penalty of TZS. 5 million.

6.0 AMENDMENTS

These Rules may be amended by the Bank, at its sole discretion, should the monetary policy or other conditions necessitate the modification.