

**AGREEMENT**

**BETWEEN**

**THE BANK OF TANZANIA**

**AND**

-----  
**(CENTRAL DEPOSITORY PARTICIPANT)**

---

**RELATING TO THE CENTRAL DEPOSITORY  
OPERATIONS**

---

**AGREEMENT**

**This Agreement** made the .... day of ..... 20.....

**BETWEEN**

.....

of P.O. Box ..... **Dar es Salaam**

(hereinafter called "the Central Depository Participant") of the

one part

**AND**

The **BANK OF TANZANIA** of P.O. Box 2939, Dar es salaam

(hereinafter called "the Bank") of the other part

**WHEREAS**

- A. The Bank has developed and installed a Central Depository System (CDS) in which securities are maintained/deposited by clients in accordance with the provisions of the Government Loans, Guarantees and Grants Act, 1974 and Government Securities (Book Entry) Regulations, 1998.
- B. It is a condition that each Central Depository Participant should provide details for their settlement bank as shall from time to time be required of such settlement by the CDS Rules and Operational Guidelines.
- C. The applicant has furnished to the Bank an application for being admitted as a Central Depository Participant of the CDS and the Bank has so admitted the applicant as Central depository participant.

**NOW THEREFORE** in consideration of the Bank having agreed to admit the Central depository participant into its CDS, the parties to this Agreement do hereby covenant and agree as follows:

## **ARTICLE 1**

### **1. Interpretation**

In this Agreement, except in so far as the context otherwise requires:-

**Central Depository Participant** means Commercial Bank licensed under the Banking and Financial Institutions Act, 2006 or a Dealer licensed under the Capital Markets and Securities Authority, Act, 1994.

**Bank** means the Bank of Tanzania existing under the Bank of Tanzania Act, 2006.

**Book entry** means the entries made on a register or computer database, within the Central Depository of Securities, to record the ownership of securities.

**Client** means Investor who maintains a CDS securities account

**CDS** means a system, which maintains and processes Treasury bills and bonds transactions/records through the Government Securities System (GSS).

**CDS Agreement** means an agreement between an Central depository participant and the Bank relating to CDS operations.

**Client CDS** means an agreement between Central

<b>Agreement</b>	depository participants and client relating to CDS operations.
<b>DVP</b>	means book entry transfer of ownership of a security in exchange for payment to settle a transaction.
<b>Government Securities</b>	means Treasury bills, bonds and stocks issued in accordance with Government Loans, Guarantees and Grants Act,1974.
<b>Identification proof</b>	means unique details identifying an individual such as Passport, National ID, Voter registration card, Driving license and Identity card and a document with applicant photo issued by government and its departments, statutory regulatory authorities, public sectors undertakings, public financial institutions, professional bodies and colleges.
<b>Regulations</b>	means Government securities (Book Entry) Regulations, 1998 (GN No. 627 of 1998)
<b>Standard Confirmation</b>	means a form of notification provided by Central depository participants or clients to conclude a deal.
<b>TISS</b>	means is a Real Time Gross Settlement (RTGS) which facilitates payment and settlement of government securities.
<b>Treasury Bills</b>	means short-term securities issued by the Bank on behalf of the Government.
<b>Treasury Bonds</b>	means long term securities issued by the Bank on behalf of the Government.

## **2. Abbreviations**

<b>CDS</b>	Central Depository System
<b>CMSA</b>	Capital Markets and Securities Authority
<b>DVP</b>	Delivery Versus Payment
<b>MERMATS</b>	Memorandum and Articles of Associations
<b>TISS</b>	Tanzania Inter-bank Settlement System

### **ARTICLE 2**

#### **Membership**

With effect from ..... the Central depository participants shall be admitted and shall abide by the Regulations, CDS Rules, Operational Guidelines and subject to the terms and conditions contained in this Agreement.

### **ARTICLE 3**

#### **Responsibilities of Central Depository Participants**

- I.** All Central Depository Participants should undertake the activities of Central Depository operations as follows:-
  - a. Central Depository Participants should not be associated with any acts, which may result in criminal or bankruptcy proceedings in court of law.
  - b. Securities held by clients who are registered as holders of such securities in CDS should not be regarded as assets or liabilities of Central Depository Participants.
  - c. Central Depository Participants will take necessary steps with a view to separating staff responsible for execution of deals from those staff confirming, settling and accounting for transactions.

- d. Central Depository Participants must observe that insider trading is prohibited.
- e. While conducting securities dealings, Central Depository Participants are required to exercise due care and skills and utmost good faith towards clients.

## **II. Relationship with the Bank**

- a. Central Depository Participants should maintain close relationship with the Bank, and provide advice in order to enable the Bank to keep abreast with current market developments and conditions.
- b. The Bank is authorized to inspect Central Depository Participants at any time in order to monitor the compliance with the Rules and Operational Guidelines.

## **III. Dealing on Own Account**

Central Depository Participants' staff should not be allowed to trade for their own accounts in any of the securities and products in which they are dealing unless there are very clear and explicit management approved safeguards in place.

## **IV. Supervision and Monitoring Requirements**

- a. Central Depository Participants shall take necessary measures to safeguard against unauthorized use of records or information by dealing staff.
- b. Central Depository Participants shall ensure effective supervision of staff and secure compliance with this agreement and accepted market practices.
- c. Central Depository Participants management shall put in place appropriate deterrent measures to control and monitor any possible malpractice for its dealing staff.

## **V. Know Your Customer (KYC)**

Central Depository Participants are required to "know their clients" and as part of this process must take all necessary steps to prevent their dealings in the market being used to facilitate money laundering.

## **ARTICLE 4**

### **Responsibilities of the Bank**

- a. Subject to the provisions of this Agreement, the Bank agrees with the Central Depository Participants that it will operate the CDS in accordance with the Regulations, CDS Rules and Operational Guidelines in force. In particular, the Bank will keep in safe custody all securities credited to the CDS securities Account of the Central Depository Participants and clients. The Bank further agrees to provide information on CDS holdings through the Central Depository Participants from time to time.
- b. The Central Depository Participants acknowledges and agrees that the Bank does not owe the Central Depository Participants any duty (whether contractual or otherwise and whether for itself or on behalf of any other person or persons) to monitor or enforce the compliance of any other Central Depository Participants or of any settlement bank with the CDS Rules.
- c. The Bank reserves the right to:
  - (i) suspend the CDS operations, wholly or partially,
  - (ii) vary the operational timetable, by reason of any circumstances whatsoever beyond the Bank's reasonable control, including without limitation partial or total failure, malfunction or overload of the CDS operations or other emergency;
- d. and the Central Depository Participant acknowledges and agrees that its obligations under this Agreement

shall continue in force and effect notwithstanding any such suspension or variation (save in so far as any such obligation cannot be performed while the suspension or variation continues in effect).

## **ARTICLE 5**

### **Dealing Practices**

#### **I. Dealing Procedures**

- a. Before dealing, Central Depository Participants should always inform the counter-party if there are any qualifying conditions that may have an impact on the Central Depository Participant's ability to follow through on a deal.
- b. Central Depository Participants must ensure adherence to the market dealing guidelines in respect of all securities transactions by their staff including immediate proper completion of standard documentation.
- c. Where a Central Depository Participant is not in a position to execute competing clients' transactions within the scope of instructions given on account of prevailing market conditions, the Central Depository Participant is obliged to inform client of those circumstances within three days.

#### **II. Confidentiality**

Central Depository Participants shall not, in any circumstances, commit any act that constitutes a breach of confidentiality such as disclosing the name, size of transactions, or profits/losses of a client/counterparty to another Central Depository Participant or a third party unless authorized by written law or order of the court or with the consent of the client/counterparty.



## **ARTICLE 6**

### **Confirmation and Settlement Procedures**

Central Depository Participants must ensure that each type of transaction conforms to a standard confirmation and settlement routine. The counter party should be notified of any changes to payment instructions.

Secondary trading confirmation will be made by the parties and will be an important opportunity for identifying or rectifying errors or disagreements before settlements. Secondary trading confirmations should be issued within one hour of dealing and incoming confirmations checked by back office personnel. If there is any irregularity that is discovered in a received confirmation, a new confirmation should be requested by front office staff.

## **ARTICLE 7**

### **I. Conflict of Interest**

Central Depository Participant shall adhere to laid down standard internal procedures to ensure that their staff declares personal interests to their management in relation to particular securities transactions with a view to avoiding the use of private information of the market at the disadvantage of clients.

### **II. Undesirable Practices**

Central Depository Participants will ensure entry of appropriate records and abstain from any acts that may cause financial loss to clients when dealing with securities of clients, particularly in relation to withdrawal and transfers.

Central Depository Participants while dealing with securities of clients at all time shall avoid undesirable practices such as improper account keeping, and

misrepresentation of information that may damage the confidence of clients in the CDS. Any deliberate or gross negligent commission of undesirable practices will result in a three months ban from purchasing securities on their own and on behalf of clients' accounts in CDS.

### **III. Fees**

- a. Central Depository Participants will be responsible for setting their own transactions fees. However shall not be permitted to charge fees in respect of account opening. If the CDS service fees will be negotiable, it is taken that the senior supervisory staff will be aware of all fees for concluded deals.
- b. Where any charges other than CDS service fees will be payable by client, Central Depository Participants will disclose the nature, amount and methods of calculation to clients. Such fees will only become payable after the contemplated service has been rendered to the client.

### **IV. Enforcement**

The Bank and the CMSA will jointly be responsible for enforcing this Agreement consistent with the provisions of applicable laws relating to conduct of Government securities business.

### **V. Applicability**

The Agreement shall apply in relation to the trading, clearing and settlement of Government securities issued under Government Loans, Guarantees and Grants Act, 1974 as amended.

### **VI. Use of Telephone**

Deals contracted over general phone lines are open to attempts of fraud and are highly discouraged. In the

event such deals are concluded it is taken that the senior supervisory staff will be aware of the authenticity of all concluded deals.

#### **VII. Disciplinary Action**

The Bank shall take disciplinary action against any Central Depository Participant for a violation of any provision of this agreement with the Bank, or for any error, delay or other conduct detrimental to the operations of CDS, or for not providing adequate facilities for such as Central Depository Participant's business with CDS, by expulsion, suspension, limitation of or restriction of activities, functions and operations, fine or censure of any other action as may be deemed necessary.

#### **VIII. Arbitration**

As a last resort, the parties will be prepared to identify independent arbitrator to resolve disputes relating to the application of this Agreement or the current market practice relating to specific Government securities transactions and the award will be final and binding. The arbitration proceedings shall be conducted in accordance with the provisions of Arbitration Act, Cap.15 of Laws of Tanzania.

#### **IX. Resignation**

A Central Depository Participant may resign from being a Central Depository Participant at any time after giving at least 28 days' notice in writing to the Bank and with effect from the day immediately following the date of submitting notice of its intention to resign, cease to participate as central depository participant in Central Depository System. The Central Depository Participant will abide by

this Agreement, Rules, Operational Guidelines and applicable regulations in their entirety up to the date when resignation becomes effective. For the purpose of this Agreement, resignation will be effective upon written consent of the Bank.

## **X. Termination of appointment as a Central Depository Participant**

The following actions will be considered by the Bank as constituting a breach of the Agreement and hence lead to the de-registration of an Central Depository Participant:

- a. Violation of or non-compliance with this Agreement
  - i. Three persistent failures to provide accurate records as required by the Bank.
  - ii. Failure to provide full disclosure to the Bank of all secondary market transactions.
- b. Failure to guarantee safety of clients' funds and securities.
  - i. If Central Depository Participants goes under receivership, liquidation or enters into any arrangement with creditors.
  - ii. Failure to carry out the business of dealing in securities for which it was licensed.

## **XI. Limitation of Liability**

When acting in good faith and without negligence, the Bank shall not be liable for any breach of trust, duty or loss in respect of any dealing or transaction executed on instructions of holder whether or not the holder had beneficial right in relation to the securities held at CDS.

**XII. Amendments**

This Agreement may be amended from time to time when a need arise with the consent of both parties.

**IN WITNESS WHEREOF** the Central depository participant and the Bank have caused these presents to be executed in the manner and year first above written.

SIGNED and DELIVERED )  
On behalf of the BANK OF TANZANIA )

at .....)  
on this ..... day of ..... 20.....)

in the presence of:  
Name of Witness .....  
Signature.....  
Postal Address .....  
Qualification .....

SIGNED and DELIVERED )  
by the said .....)  
at .....)  
this ..... day of ..... 20.....)

in the presence of  
Name of Witness .....  
Signature.....  
Postal Address .....  
Qualification .....