



CODE OF CONDUCT FOR RETAIL FOREIGN EXCHANGE MARKET

BANK OF TANZANIA

October 2023

TABLE OF CONTENTS

PREAMBLE	ii
CHAPTER 1: ETHICS	1
1.1. Introduction	1
1.2. Professional Standards	1
1.3. Ethical Standards	2
1.4. Conflict of Interest.....	3
CHAPTER 2: EXECUTION OF FOREIGN EXCHANGE TRANSACTIONS	5
2.1. Introduction	5
2.2. Quotation of Prices	5
2.3. Reporting of Retail FX Transactions.....	5
2.4. Off-Premises FX Transactions.....	5
2.5. Governance Process in FX Activities.....	5
CHAPTER 3: GENERAL STANDARDS.....	6
3.1. KYC and AML/CFT Standards	6
3.2. Complaints Resolution.....	6
3.3. Compliance with FX Code.....	6

PREAMBLE

The Bank of Tanzania regulates a large proportion of the financial sector in Tanzania including supervision of foreign exchange business. The Code of Conduct for Retail Foreign Exchange Market (the FX Code) has been developed in order to set out standards, which promote integrity and effectiveness of the retail foreign exchange market in Tanzania. The FX Code will facilitate an orderly and smooth functioning of the retail foreign exchange business carried out by banks, financial institutions and bureaux de change in the United Republic of Tanzania.

The FX Code is issued pursuant to section 7 of *the Foreign Exchange Act, Cap. 271 R.E. 2002*, which empowers the Bank of Tanzania to issue directives regarding the standards to be adhered by any institution or person conducting foreign exchange business in the United Republic of Tanzania.

The purpose of the FX Code is to set standards and best practices for retail market participants when engaging in foreign exchange transactions with the general public or among themselves. The FX Code applies to banks, financial institutions and bureaux de change engaging in retail foreign exchange business in the United Republic of Tanzania.

Emmanuel Mpawe Tutuba

Governor

Bank of Tanzania

CHAPTER 1: ETHICS

1.1. Introduction

Retail Foreign Exchange Market (Retail FX Market) plays a crucial role in foreign exchange intermediation in the economy by providing an avenue for spot buying and selling foreign exchange from retail customers, thereby contributing to price discovery in the market. Due to its importance, market participants are expected to behave in an ethical and professional manner to promote the fairness and integrity of the Retail FX Market. The exercise of judgement is central to acting ethically and professionally, and market participants should be guided in doing so by the principles, when participating in the Retail FX Market.

All market participants share a common interest in maintaining the highest degree of professionalism and ethical standards of business conduct in the Retail FX Market.

For the purpose of this FX Code, a "market participant" is a bank or a financial institution or a bureau de change that is active in Retail FX Market as a regular part of its business and is engaged in the activity of the purchase or sale of one currency against another, or in transactions resulting in gains or losses based on the change in one or more FX rates.

1.2. Professional Standards

In the course of conducting foreign exchange transactions, market participants shall:

- (a) exercise due care;
- (b) use clear and unambiguous language;
- (c) display the price quoted on the board placed at a conspicuous place of business;
- (d) disclose terms and conditions applicable to foreign exchange transactions;
- (e) display fees and charges for foreign exchange transactions at a conspicuous place of business;
- (f) establish and implement a governance structure, policies, procedures, internal controls, resources, and training plan to ensure compliance with the FX Code;
- (g) have sufficient knowledge of applicable laws, regulations or any other directives as may be issued by the Bank of Tanzania;

- (h) have sufficient and relevant experience, technical knowledge, and qualifications related to Retail FX market operations;
- (i) act with competence and skill;
- (j) apply professional judgement in compliance with the market participant's guidelines and operational procedures, including methods of execution, record keeping and ethical behaviour; and
- (k) refrain from any behaviour or conduct that may discredit the retail market.

1.3. Ethical Standards

1.3.1 Market participants shall maintain the highest ethical standards of business conduct in the Retail FX Market by:

- (a) acting honestly and fairly in dealing with clients and other market participants in a consistent, appropriate and transparent manner;
- (b) acting with integrity in conducting foreign exchange transactions;
- (c) refraining from collusion with the intention to influence the foreign exchange rates;
- (d) refraining from actions that profit themselves or their customers resulting from unfair market practices, including:
 - (i) perpetrating rumours that may reflect adversely on professionalism; or
 - (ii) attempting to obtain non-public information that may affect market prices negatively.
- (e) observing confidentiality, such as:
 - (i) no market participant shall have access to information on clients' records, correspondence or material with regard to the account of any client except where required by law;
 - (ii) no market participant shall give, divulge or reveal any information regarding transactions or other relevant particulars of the clients' account to any other person, except where required by law;
 - (iii) every member shall have a thorough knowledge of the basic principles of confidentiality;

- (iv) every member shall take the necessary actions to prevent confidential information from being passed over to outside parties;
- (v) market participants shall ensure that confidentiality is not breached by the use of telecommunication systems or otherwise, and measures to be put in place to strengthen the security of information.

1.3.2 Maintaining high standards of ethical and professional behaviour is the responsibility of:

- (a) market participants whom aims to promote ethical values and behaviour within the institution, support efforts to promote high ethical standards in the wider Retail FX Market, and encourage personnel involvement in such efforts;
- (b) senior and front-line management by being pro-active in embedding and supporting the practice of ethical values within the institution's culture and be prepared to give appropriate advice to personnel; and
- (c) personnel who applies professional judgement when facing ethical questions and where appropriate, shall seek advice, report and/or escalate issues of concern to appropriate parties both internally and externally.

1.4. Conflict of Interest

1.4.1 Market participants shall identify and address actual and potential conflicts of interest that may compromise or be perceived to compromise their ethical or professional judgement. They shall eliminate these conflicts or, if this is not reasonably possible, to effectively manage them so as to promote fair treatment of their clients and other market participants, including abstaining from undertaking the relevant activity or action due to the conflict of interests.

1.4.2 Market participants shall put in place appropriate and effective arrangements to eliminate or manage conflicts of interest, including but not limited to:

- (a) segregation of duties and/or reporting lines;
- (b) establishing information barriers;

- (c) altering duties of personnel when such duties are likely to give rise to conflicts of interest;
- (d) providing training to relevant personnel for effective identification, managing and monitoring conflicts of interest;
- (e) establishing declaration policies and/or records for identified conflicts of interest and personal relationships, including gifts and corporate entertainment received; and
- (f) having policies and controls on personal dealing.

1.4.3 Where it is concluded that a specific conflict of interest cannot reasonably be avoided or effectively managed, including ceasing to undertake the relevant service or activity, market participants shall disclose sufficient details of the conflict of interest to enable the affected parties to decide beforehand whether or not to proceed with the transaction.

CHAPTER 2: EXECUTION OF FOREIGN EXCHANGE TRANSACTIONS

2.1. Introduction

Market participants are expected to exercise care when negotiating and executing transactions to promote a fair and transparent Retail FX Market.

2.2. Quotation of Prices

- (a) Trading in retail market shall not exceed the prices quoted by market participants on the board.
- (b) Market participants shall update their two-way quote in the board after the change of prices.
- (c) The two-way prices quoted should be within a spread of 4 percent from the buying rate.

2.3. Reporting of Retail FX Transactions

Market participants' reports on the FX transactions shall provide details of the following;

- (a) name of retail client;
- (b) type of client;
- (c) type of transaction;
- (d) sector, currency and amount transacted;
- (e) exchange rate; and
- (f) price arrangement.

2.4. Off-Premises FX Transactions

- (a) Market participants shall refrain from conducting FX Transactions outside the approved premises by the Bank.
- (b) Management shall put in place effective controls to ensure that off – premises FX transactions are prevented.

2.5. Governance Process in FX Activities

Market participants are expected to have a sound and effective governance framework that provides clear responsibility, comprehensive oversight of their Retail FX Market activities and promote responsible engagement in the Retail FX Market.

CHAPTER 3: GENERAL STANDARDS

3.1. KYC and AML/CFT Standards

Market participants are required to comply with all regulatory requirements issued by the Bank of Tanzania, and Market participants' internal KYC/AML/CFT policies and procedures, which shall be consistent with all statutory and regulatory requirements, including:

- (a) robust controls in place to enforce the KYC/AML/CFT principles;
- (b) a clear understanding of all applicable laws and regulations on the prevention of money laundering and combating financing of terrorism;
- (c) internal processes to facilitate the identification and prompt reporting of suspicious activities;
- (d) effective and regular training of relevant personnel, so as to raise awareness and reporting obligations of KYC/AML/CFT activities; and
- (e) periodic reviews by experts.

3.2. Complaints Resolution

FX transactions may result in complaints between market participants and their retail customers. Therefore, market participants are required to:

- (a) establish and implement procedures for handling customers' complaints;
- (b) provide confidential channels for customers to escalate their concerns on potentially improper practices and behaviours; and
- (c) investigate complaints and respond in writing to the complainants within five working days.

Provided that where complaints for which a decision cannot be reached within the specified period, the Bank of Tanzania shall have the final decision on the matter.

3.3. Compliance with FX Code

The Bank of Tanzania may take appropriate enforcement and other administrative action against the market participants, if they fail to comply with the requirements of this Code of Conduct.