



TANZANIA INTERBANK CASH MARKET SYSTEM

OPERATIONAL GUIDELINES, 2018

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Consultation

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DEFINITIONS

Authorized staff	means employees of Market Participants registered in the IBCM system
bank	means an entity licenced by the Bank under the Banking and Financial Institutions Act, 2006 to carry on banking business
Central DS	means a system which maintains and processes Treasury bills and bonds through the Government Security system
Management	means senior personnel of the market participants who have power and responsibility to make decision
Market Participant	means a bank;
Off-market hours	means weekends, public holidays and time beyond official trading hours
The Bank	means the Bank of Tanzania
TISS	means the Tanzania Real Time Gross Settlement (RTGS) system that facilitates the processing and settlement of high-value payments and other inter-bank transactions in real time and on a gross basis

ABBREVIATIONS

BOT	: Bank of Tanzania
CDS	: Central Depository System
DvP	: Delivery versus Payment
IBCM	: Interbank Cash Market
MT	: Message Type
TISS	: Tanzania Interbank Settlement System
TZS	: Tanzanian Shilling

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1. INTRODUCTION

The Tanzania Interbank Cash Market (IBCM) System provides a platform for lending and borrowing amongst banks. The platform serves the purpose of equilibrating the short-term liquidity position of banks. IBCM participants shall use this system as a communication and trading platform. The Bank shall operate and oversee the IBCM system.

Every licensed bank under the Banking and Financial Institutions Act, 2006 that lends to or borrows from another bank shall do so through IBCM system only.

2. CITATION

These Guidelines shall be cited as Tanzania Interbank Cash Market System Operational Guidelines, 2018” and are issued under the authority of Section 71 of the Banking and Financial Institutions Act, 2006.

3. OBJECTIVE

The objective of this document is to provide guidelines for the operationalization of the IBCM system.

4. COMPLIANCE REQUIREMENTS

All IBCM system participants shall comply with the requirements of the IBCM of these Operational Guidelines and Code of Conduct when using the system.

5. TRADING HOURS

The official market time runs from 9:00 hours from Monday to Friday except for Public Holidays or unless otherwise communicated by the Bank. However, the IBCM system shall be available for trading on off-market hours.

6. PARTICIPANTS AND AUTHORIZED STAFF

6.1 Eligibility

The IBCM system shall be used by banks when dealing in the interbank cash market

6.2 Authorized Staff Registration

- a) Before using the IBCM system, participants shall submit a duly filled in IBCM System Users Access Request Form to the Bank which is provided in **Annex I**.
- b) A participant shall designate authorized staff for purposes of IBCM who shall be assigned specific roles either in Front Office, Back office and View Report

- c) The assigned roles shall be restricted to the authorized staff.
- d) The Bank shall provide system access rights based on the submitted access request forms.
- e) Authorized staff shall be de-activated in the IBCM system upon Bank's receipt of dully filled in System Users De-activation form from participant. System Deactivation form is provided in **Annex II**.

7. QUOTATIONS

- a) Rates quoted in the IBCM system shall be deemed as firm.
- b) Each Participants are required to publish both lending and borrowing quotes on daily basis;
- c) Published firm quotes referred in clause 7 (b) above shall maintain a maximum spread of 400 basis points;
- d) Published firm quotes shall be in two decimal points;
- e) Published firm quotes shall be for the standard lot size of TZS 200 million and on secured basis;
- f) Published firm quotes shall be for overnight tenor only;
- g) Published firm quotes shall be applicable to hit borrowing or lending;

8. DEAL CONCLUSION AND CONFIRMATION

- a) A deal shall be concluded when the amount and the rate are agreed upon by both parties.
- b) Back office shall immediately confirm details of all concluded deals with counterparties.

9. COMMUNICATION OUTSIDE THE IBCM SYSTEM

Market participants when transacting outside the system shall have internal mechanism which shall allow for traceability, auditing, record keeping and access control of the IBCM

10. ROLES AND RESPONSIBILITIES

10.1 The Bank in its capacity as Operator of the IBCM system shall have the following responsibilities:

- a) Provide system access rights to all IBCM system authorized staff;
- b) To connect IBCM system with participants' core banking systems or Treasury systems;
- c) Facilitate reliability and efficient operation of the IBCM system.
- d) Monitor effective exchange of information pertinent to interbank cash market transactions with interfaced systems.
- e) Provide IBCM system authorized staff with training to facilitate effective use of the system.
- f) Provide remote business and technical support timely to IBCM system authorized staff.
- g) Ensure electronic trading system is robust and has adequate controls and security features.

10.2 IBCM system participants-are responsible for the following:

- a) Comply with IBCM guidelines and Code of Conduct;
- b) Protect the system and data to which they have access to and ensure information technology infrastructure used is robust and has adequate controls and security features to deal with normal and stressed operating conditions
- c) To separate roles of front and back office responsibilities
- d) To put in place internal policies for the usage of electronic trading systems and business continuity plan for contingencies involving these systems.

11. GRANTING AND REPAYMENT OF LOAN

11.1 Granting of Loan

- a) Granting of Loan shall be effected on value date;
- b) The system shall generate deal ticket with payment details to be inserted in fields 21 and 72 when making payments in TISS;
- c) Amount lent shall be credited to borrower's account maintained at BOT through TISS using MT 202;

11.2 Loan repayments

- a) Loan repayments shall be done on maturity date
- b) The System shall generate payment instruction slip with repayment details to be inserted in fields 21 and 72 when making repayments in TISS;
- c) Amount borrowed plus interest shall be credited to lender's account maintained at BOT through TISS using MT202

11.3 Loan rollover

- a) Loan rollover shall be upon agreement of both parties
- b) Loan rollover shall be on maturity date and in the same tenor only;
- c) Interest rate on loan rolled over may vary depending on Market conditions and agreement between borrower and lender;
- d) Only principal amount is rolled over and interest due shall be credited to lender's account maintained at BOT through TISS.

11.4 Unscheduled Holidays

- a) Unless the bilateral agreements between the parties concerned specifically provide for such situations, it is market practice to extend contracts maturing on a non-business day to the next business day.
- b) Payment of interest for the additional day(s) shall be processed outside the system

12. COLLATERAL MANAGEMENT

12.1 Attachment of Collateral

- a) For secured deals, collateral terms shall be agreed between borrowers and lenders;
- b) Collateral amount shall always be greater than loan amount;
- c) Collaterals shall be held upon funds being credited to borrower's account maintained at BOT in order to attain DvP;
- d) Eligible collaterals shall be only Government securities held at BOT CDS.

12.2 Release of Collateral

- a) Collateral shall be released on loan maturity date;
- b) Collateral shall be released upon funds being credited to lenders' account maintained at BOT in order to attain DvP.

13. FAILURE TO SETTLE

In the event of failure to settle, failed transaction, default and disputes; the IBCM Code of Conduct, CDS's Rules, Operational Guidelines, TISS's Rules, and Regulations thereto shall apply.

14. CONTINGENCY PLAN

In the event the system is not available, participants shall do the following:

(a) Record all transactions including:

- i. date of transaction;
- ii. name of counterparty;
- iii. side and type;
- iv. currency and amount;
- v. rate;
- vi. value date;
- vii. Tenor;
- viii. other required relevant transaction details.

(b) Exchange the above details with the other counterpart and BOT through email, fax, or physical delivery of hard copies.

IBCM SYSTEM USERS ACCESS REQUEST FORM

PART A [To be Filled by Applicant(s) in Duplicate and Submitted to Manager Domestic Markets Department]			
Bank Name			
Applicant 1			
Title	<input type="radio"/> MR. <input type="radio"/> MRS. <input type="radio"/> MS.		
First Name		Role Initials <i>[Please select role initials from part B]</i>	
Middle Name		E-Mail	
Last Name		Mobile No.	
Applicant 2			
Title	<input type="radio"/> MR. <input type="radio"/> MRS. <input type="radio"/> MS.		
First Name		Role Initials <i>[Please select role initials from part B]</i>	
Middle Name		E-Mail	
Last Name		Mobile No.	

Applicant 3			
Title <input type="radio"/> MR. <input type="radio"/> MRS. <input type="radio"/> MS.			
First Name		Role Initials <i>[Please select role initials from part B]</i>	
Middle Name		E-Mail	
Last Name		Mobile No.	
Authorizer's Name			
Authorizer's Signature			
Date and Stamp			

PART B		PLEASE SELECT USER'S ROLE	
Role Name		Role Initial	
Front Office (Dealing management)		FO	
Back Office (Payments & Collaterals management)		BO	
View Reports		VR	
PART C [To be filled by Head of Domestic Markets]			
REMARKS			
Signature		Date	

PART D [To be Approved by Head of System Design and Administrations]			
REMARKS			
Signature		Date	
PART E [To be filled by IBCM System Administrator]			
User ID Assigned			
Applicant 1			
Applicant 2			
Applicant 3			
Name of Attending Officer	Signature	Date	

PART C [To be filled by Head of Domestic Markets]
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REMARKS			
Signature		Date	

PART D [To be Approved by Head of System Design and Administrations]

REMARKS			
Signature		Date	

PART E [To be filled by System Administrator]
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User ID			
Deactivated All Roles: <input type="radio"/> YES <input type="radio"/> NO [If NO Please fill deactivated roles below]			
Enter Deactivated Roles			
Name of Attending Officer	Signature	Date	