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THE BANKING AND FINANCIAL INSTITUTIONS ACT
[CAP 342]

REGULATIONS

Made under section 71

THE BANKING AND FINANCIAL INSTITUTIONS (DEVELOPMENT FINANCE) REGULATIONS, 2011

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	PART I **PRELIMINARY PROVISIONS**
Citation	1. These Regulations may be cited as the Banking and Financial Institutions (Development Finance) Regulations, 2011 and shall come into operation on the date of publication in the *Gazette.*
Application	2. These Regulations shall apply to any person engaged in development finance operations.
Interpretation	3. In these Regulations unless the context requires otherwise:
	"Act" means the Banking and Financial Institutions Act;
	"Bank " means Bank of Tanzania;
	"conflict of interest" means a situation in which someone in a position of trust, has competing professional, business or personal interest, making it difficult to fulfil his duties impartially;
	"core capital" has the meaning ascribed to it in the Act;
	"development finance institution" means an institution which carries on any activity, whether for profit or otherwise, with or without any Government funding, *with* the purpose of promoting development in the industrial, agricultural, commercial or other economic sector, including the provision of capital or other credit facility
	"director" has the meaning ascribed to it in the Act;
	"fit and proper person" means a person with the attributes required of a member of the board of directors and management of a development finance institution as per the criteria set out in the Fourth Schedule hereto;
	"insider" means directors, officers or significant shareholders of a development finance institution and their related parties;
	"related party" (a) in relation to or other body corporate means: - (i) its holding company or its subsidiary; (ii) a subsidiary of its holding company; (iii) a holding company of its associates; (iv) any person who controls the company or body corporate whether alone or with his related party or with other related parties of it; (b) in relation to an individual means: - (i) any member of his family; (ii) any company or other body corporate controlled directly or indirectly by him whether alone or with his related parties; and (iii) any related party of his related parties;
	"subsidiary" has the meaning ascribed to it in the Act;
	"total capital" has the meaning ascribed to it in the Act;

	PART II **LICENSING**
Application for Licence	4. (1) A person who intends to engage in development finance operations shall, by a letter in the form prescribed in the First Schedule, apply for a license to the Bank.
	(2) Any person shall, before submitting an application under sub-regulation (1), apply for a pre-filling meeting with the Bank.
	(3) The application under sub-regulation (1) shall be accompanied by a copy of the documents listed in the Second Schedule.
	(4) An applicant shall submit a business plan prepared in accordance with the general guidelines set out in the Third Schedule.
	(5) A person who contravenes the provision of sub-regulation (1) commits an offence and on conviction shall be liable to the punishment stipulated in the Act.
	(6) The provisions of this regulation shall not apply to banks and financial institutions licensed by the Bank provided that such banks and financial institutions have a minimum core capital of Tanzania Shillings fifty billion and submit to the Bank a specific business plan.
Application Fees	5. The application shall be submitted together with a copy of telegraphic transfer or banker's cheque of three million Tanzanian Shillings or any other amount as may be determined by the Bank, payable to the Bank as non-refundable application fee.
Contact Person	6. An applicant shall designate a principal contact person of the company and inform the Bank of such designation.
Legal Opinion	7. The Bank may require the applicant to provide legal opinion on any issue related to the application of the licence as it may determine.
Proof of Source of Capital	8. A shareholder of a development finance institution shall provide:- (a) a written proof of sources of funds; (b) a written confirmation that the proposed paid up capital shall be fully paid up prior to commencement of operations.
Integrity of shareholders	9. The Bank shall review the history of the shareholders to determine their reputation, experience in banking operations, financial soundness and integrity in past and present business practices.
Grant of Licence	10. (1) The Bank shall, within ninety days after receipt of a complete application, or where further information has been required, after receipt of such information, grant a licence or reject the application.
	(2) Where an application is rejected, the Bank shall, in writing, inform the applicant of the reasons for the rejection.
	(3) An applicant whose application has been rejected may re-apply, if the deficiencies which were the basis for rejection of the application have been corrected.
Commencement of business	11. (1) A development finance institution shall commence operations within twelve months from the date the licence was granted unless such period is extended in writing by the Bank.

	(2) A licensed development finance institution shall not commence business until all the business premises, security facilities, communication facilities, processing equipment, accounting and internal control systems are in place and have been inspected or reviewed by the Bank.
	PART III **ORGANIZATION, OWNERSHIP AND MINIMUM CAPITAL**
Incorporation	12. A development finance institution shall be incorporated as a company limited by shares under the laws of Tanzania.
Board of Directors	13. (1) The board of directors of a development finance institution shall be composed of not less than seven members, majority of whom shall be non executive members and non government officials.
	(2) Members of the board shall be appointed on the basis of merit from amongst persons who are experienced in development financing, banking, finance, accountancy or related experience.
	(3) The chairperson of the development finance institution shall be a non-executive member and non government official.
Appointment of Managing Director	14. A development finance institution shall establish clear criteria to govern the appointment of the Managing Director and must define clear standards of qualifications and prior experience that ensure that the Managing Director commands the commercial skills necessary to run the development finance institution effectively.
Vetting of Senior Management	15. (1) The Bank shall make an assessment, in accordance with the criteria set out in the Fourth Schedule to these Regulations as to whether the proposed member of the board of directors and senior management of a proposed institution are fit and proper persons.
	(2) The Bank shall evaluate the proposed member of the board of directors and senior management team with respect to their experience and ability to manage funds, institute proper credit evaluation, collection procedures, accounting systems, effective internal control, audit programmes and management information systems.
	(3) The Bank may interview the proposed board and senior management team member and enquire as to past performance, reputation and skills.
	(4) The Bank shall make an assessment of proposed board and senior management team members regarding their formal education, professional qualifications, work experience, reputation, criminal record and conflict of interest.
	(5) The Bank shall make an assessment of proposed board and senior management team members regarding their formal education, professional qualifications, work experience, reputation, criminal record and conflict of interest.
	(6) The Bank shall further assess whether individuals proposed as board and senior management team members have the necessary administrative, organizational and decision-making skills, and ability to demonstrate reliability and sound character.
Declaration by	16. (1) A member of the board of directors of a development finance institution shall

Board Members	submit to the Bank a declaration that he shall fulfil his obligations towards maintaining a safe, sound and profitable institution.
	(2) Without prejudice to sub-regulation (1), a board member shall declare that he shall comply with the provisions of the Act, Bank of Tanzania Act, any written law, regulations, policies, circulars, orders, directives and instructions.
Risk Management Policies	17. The board of directors of a development finance institution shall ensure that policies on risk management are in place and be responsible and accountable for the execution of such policies.
Restrictions on ownership	18. (1) A person shall not own or control, directly or indirectly, a beneficial interest of more than twenty percent of the voting shares of any development finance institution, except as provided under Section 15 of the Act.
	(2) For the purpose of sub-regulation (1) "indirect ownership or control" means ownership or control through related parties.
Minimum Capital	19. (1) A development finance institution shall commence operations with and maintain at all times a minimum core capital of not less than Tanzanian Shilling fifty billion or such higher amount as the Bank may determine.
	(2) A development finance institution shall maintain at all times a minimum core capital and total capital equivalent to thirteen percent and fifteen percent respectively of its total risk-weighted assets and off balance sheet exposures.
	(3)Where a development finance institution owns or controls a bank or financial institution, directly or indirectly, the capital adequacy requirements shall be satisfied by each bank or financial institution on a solo basis, and the parent institution shall comply with the capital adequacy requirements on a solo and consolidated basis.
Deposit of Paid up Capital	20. A development finance institution shall, not later than thirty days after grant of the licence, deposit paid up capital in Tanzanian Shilling or foreign currency in a bank or financial institution registered in Tanzania, or invest in Treasury Bills or other Government securities of not more than 364 days.
Additional Capital Requirements	21. The Bank may prescribe additional capital requirements based on the risk profile of a development finance institution.
Transfer of ownership	22. A development finance institution shall not transfer ownership of significant interest, merge with, acquire or take over any other development finance institution unless it has obtained prior approval of the Bank.
Determination of available capital	23. A development finance institution shall, in determining the amount of available capital for the purposes of complying with the minimum capital required under Regulation 19, consider the following-
	(a) fifty per cent of the year to date profits where accounts are unaudited.
	(b) one hundred percent of the year to date profits where accounts have been audited subject to submission of the signed accounts to the Bank
	(c) amount of the investment of the development finance institution in the capital of another company, firm or its subsidiary to the extent of the reciprocal

	investment of such company, firm, or its subsidiary in the capital of the bank or financial institution shall be deducted from the capital of that bank or financial institution.
Subordinated debt	24. The aggregate amount of subordinated debt that may be eligible and recognized by the Bank as supplementary capital is limited to fifty percent of core capital, provided that such subordinated debt shall-
	(a) be discounted by a cumulative factor of twenty percent per year during the last five years to maturity;
	(b) be unsecured, uninsured and are not a deposit;
	(c) have an original maturity of not less than five years;
	(d) be subordinated to claims of all depositors and general creditors of the development finance institution;
	(e) not be redeemable at the option of the holder prior to maturity, except with the prior approval of the Bank; and
	(f) have no requirement for payments of principal or interest except to the extent that the development finance institution is solvent and shall remain solvent immediately thereafter.
Hybrid instruments or preferred stock	25. (1) A development finance institution intending to include hybrid instruments or preferred stocks not qualifying as tier 1 capital in supplementary capital for the purposes of satisfying the requirements of Regulation 19 shall apply to the Bank for approval.
	(2) In considering the application under sub-regulation (1), the Bank shall take into account the requirements for eligible subordinated debt specified in Regulation 24.
Capital for market risk	26. (1) A development finance institution shall measure and apply capital charges in respect of market risk.
	(2) The minimum capital requirements for foreign exchange risk, interest rate risk and equity position risk shall be determined by applying the Standardized Measurement Method specified in the Basel Committee on Banking Supervision or such other methods as the Bank may approve.
Trading book	27. Financial instruments, including derivative products such as forwards, options or swaps, shall be allocated to the trading book if they are-
	(a) held for short-term resale;
	(b) purchased with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices (arbitrage), or from other price or interest rate variations;
	(c) arising from broking or market-making;
	(d) held in order to hedge other elements of the trading book.
Computation of capital adequacy ratio	28. (1) The individual market risk capital charges calculated under Regulation 26 shall be multiplied by the reciprocal of the minimum capital adequacy ratio of fifteen percent and added to the sum of risk-weighted assets.

	(2) The capital adequacy ratios for a development finance institution shall be calculated in relation to the sum mentioned in sub-regulation (1) by using core capital and total capital to determine whether the development finance institution satisfies the minimum requirements.
	PART IV **CREDIT CONCENTRATION AND OTHER EXPOSURE LIMITS**
Single Borrower's Limit	29. A development finance institution shall not grant to any person and his related parties, directly or indirectly credit accommodation that exceeds the following limits-

Collateral Position	Limit (as a percentage of core capital)
Secured by collateral the value of which is at least 125% of the credit accommodation deemed by it (Fully secured)	25%
Secured by collateral the value of which is less than 125% of the credit accommodation secured by it (Partly secured)	10%
Unsecured	5%

Exceptions to single borrower's limit	30. (1) A development finance institution may exceed a limit prescribed under Regulation 29 provided that the amount in excess of single borrower's limit is granted to, or guaranteed by the Government of the United Republic of Tanzania or is secured against cash, near cash, or is guaranteed unconditionally and irrevocably by a first class international bank or against securities issued by the Government of the United Republic of Tanzania or the Bank.
	(2) Where a development finance institution grants a credit accommodation in accordance with sub-regulation (1), it shall, within seven days from the date it approves the credit accommodation, notify the Bank.
Prior approval for equity investments	31. A development finance institution shall not engage in equity investment without obtaining prior approval of the Bank.
Equity investment In allied undertaking	32. The equity investment in any allied undertaking shall not exceed twenty five percent of the core capital of the development finance institution.
Equity investment in non allied undertaking	33. (1) Subject to sub-regulation (2), the equity investment in any non allied undertaking shall not exceed five percent of the core capital of the development finance institution.
	(2) The equity investment in any single company other than an allied undertaking shall not exceed thirty five per cent of the total subscribed share capital of the investee company.
Total equity investment and credit accommodations	34. The total equity investments and credit accommodations to any single company shall not exceed twenty five per cent of the core capital of the investing development finance institution.
Aggregate Equity Investments	35. The aggregate equity investments in all companies shall not exceed fifty per cent of the core capital of the development finance institution.
Monitoring of	36. Every development finance institution shall put in place systems to identify and

credit accommodation	monitor credit accommodation to its insiders.
Transactions with insiders	37. All transactions of a development finance institution with any of its insiders shall be on the terms no more favourable than would be available to others.
Conditions for credit accommodation to insiders	38. (1) A development finance institution shall not grant, directly or indirectly, any credit accommodation to any of its insiders unless the credit accommodation has been unanimously approved by all members of the board of directors in a meeting where the director or alternate director who stands to benefit from the credit has inhibited himself from attending.
	(2) Where a development finance institution grants a credit accommodation to an insider in accordance with sub-regulation (1), shall, within seven days from the date it grants the accommodation, notify the Bank.
Credit limit to single insider	39. The total amount of credit accommodation which a development finance institution may grant, directly or indirectly, to any insider shall not exceed ten percent of the core capital of the development finance institution.
Aggregate credit limit to insiders	40. A development finance institution shall not grant credit accommodations whose aggregate amount exceeds twenty five percent of its core capital to its insiders or a person who has ceased to be an insider within two years from the date when such a person ceased to be an insider.
Restriction on unsecured credit accommodation	41. A development finance institution shall not grant any unsecured credit accommodation to insiders except as set out under Regulation 42(1).
Loans to employees	42. (1) A development finance institution shall not grant salary advances to any of its officers and employees, which exceed the annual remuneration of the borrowing officer or employee.
	(2) For purposes of sub regulation (1) the annual remuneration of an officer or employee shall refer to the basic salary plus cost of living allowances which are fixed and paid in cash to the officer or employee on a regular and periodic basis as part of his compensation for services rendered to the development finance institution, but excluding such benefits, the entitlement to which depends on a contingency such medical and hospitalisation benefits, or allowances for attending seminars and boards or committee meetings, or other non-cash benefits;
	(3) The provisions of sub-regulation (2) shall not apply to benefits entitlement of which depends on a contingency such as medical and hospitalization benefits or allowances for attending seminars, meeting or other non cash benefits
	(4) Loans and advances to officers and employees of development finance institution intended as incentives shall be managed in accordance with a well-documented policy regarding administration of such facilities.
	(5) Commercial loans and advances to officers and employees of development finance institution shall be in the regular course of business and on the terms not more favourable than would be available to other borrowers.
Restrictions on investments in fixed assets	43. A development finance institution may purchase, acquire or lease fixed assets where it is necessary for its business, including reasonable provision for anticipated future expansion and housing of its officers or employees provided that-
	(a) the total investment of the development finance institution in such fixed

	assets at depreciated net book value, shall not exceed twenty percent of its core capital;
	(b) the limitations under this regulation shall not apply to-
	(i) the acquisition of any asset in settlement of a debt to the development finance institution provided that the asset is sold within three years of its acquisition date or within a period approved by the Bank; and
	(ii) institutions carrying on the business of mortgage financing and property acquired for leasing activities.
	PART V **MANAGEMENT OF RISK ASSETS, CLASSIFICATION AND PROVISIONING**
Credit Risk management policies	44. The board of directors of every development finance institution shall ensure that credit risk management policies are in place and at minimum, such policies shall include-
	(a) a credit policy establishing a framework for making credit and investment decisions consistent with principles set forth in the Risk Management Guidelines.
	(b) a system for measuring, monitoring, internal risk rating and provisioning consistent with principles set forth in the Risk Management Guidelines.
	(c) an appraisal mechanism and appraisal-reporting system for all loans.
	(d) prescription of a minimum internal rate of return required for projects in different sectors and sizes.
	(e) requirement for defining and monitoring performance indicators that measure the broader economic benefits of the project.
	(f) requirement for periodic supervision of all projects financed by the institution.
Review of credit policy	45. The board of directors of a development finance institution shall review at least annual, the credit policy and submit it to the Bank, not later than thirty days after its approval by the board.
Quarterly review and classification	46. (1) A development finance institution shall review and classify its outstanding loans and other risk assets including contingent accounts or off balance sheet items at least once every quarter.
	(2) A development finance institution shall not upgrade a classified credit accommodation into a better category without prior approval of the Bank.
	(3) Notwithstanding sub-regulation (2) a development finance institution shall downgrade credit accommodations which have demonstrated weaknesses that warrant downgrading.
Classification criteria	47. (1) Credit accommodations shall be classified into five categories and assigned provision rates as follows-

Classification	Provision rate
Current	Zero percent
Especially mentioned	Five percent
Substandard	Ten percent

	<table><tr><td>Doubtful</td><td>Fifty percent</td></tr><tr><td>Loss</td><td>One hundred percent</td></tr></table>
	(2) Non-performing credit accommodation shall include Substandard, doubtful and loss categories.
	(3) A development finance institution shall, in classifying credit accommodations, apply qualitative and quantitative criteria.
Classification by quantitative criteria	48. Outstanding credit accommodations reviewed by quantitative approach shall be classified as follows:
	<table><tr><th>Number of Days Past Due</th><th>Classification</th></tr><tr><td>181- 365</td><td>Substandard</td></tr><tr><td>366 – 540</td><td>Doubtful</td></tr><tr><td>541 and above</td><td>Loss</td></tr></table>
Classification by qualitative criteria	49. In addition to classifying credit accommodation as either current or past due, a development finance institution shall review qualitatively and classify such credit accommodations into current, especially mentioned, substandard, doubtful or loss
Current classification	50. Current credit accommodations are those which do not have a greater than normal risk and do not possess the characteristics and weaknesses of classified credit accommodations as described in these regulations.
Especially mentioned classification	51. Especially mentioned credit accommodations are those that are superior in quality to those classified as substandard, but which are potentially weak and thus require closer management supervision and includes-
	(a) credit accommodations with technical defects and collateral exceptions such as-
	(i) un-located collateral file and documents including but not limited to title papers and deeds, mortgage instruments and promissory notes;
	(ii) improper execution of supporting deed of assignment, pledge agreement, or real mortgage;
	(iii) unregistered mortgage instruments;
	(iv) collateral not covered by appraisal reports or whose appraisal reports are unallocated;
	(v) credit accommodations where corresponding promissory notes or credit agreements were signed by a person other than the authorised officer of the borrowing firm;
	(vi) credit accommodations secured by property the title to which bears an un cancelled lien or encumbrance;
	(vii) collateral not insured or with inadequate or expired insurance coverage;
	(viii) credit accommodations to companies not covered by authenticated board resolutions authorizing the borrowings
	(ix) unsecured credit accommodations granted to Directors and officers

	contrary to the provisions of subsection (2) of section 26 of the Act.
	(b) credit accommodations not supported by up-to-date and adequate financial statements or credit information and they include:
	(i) credit accommodations renewed, renegotiated or restructured without updated financial statements or income tax returns; and
	(ii) credit accommodations without credit investigation or analysis reports or updated credit information independently verified by the lender.
	(c) credit accommodations that need the attention of management for special or corrective action or both, these includes:
	(i) credit accommodations wherein efforts to collect are not evident or are deemed inadequate;
	(ii) credit accommodations granted beyond the discretionary limit of the approving authority;
	(iii) drawings or availing against an expired credit line or drawings or availing without prior approval of the appropriate executive officers;
	(iv) credit accommodations to borrowers who failed to comply with conditionalities of the credit accommodations such as, failure to operate the account satisfactorily;
	(v) credit accommodations to firms with profitable operations but belonging to a distressed industry;
	(vi) combined indebtedness to the development finance institution of a group of persons, firms or companies that are related, linked or connected to each other through common ownership, management or control or through common family or business interest where twenty-five per cent or more of such combined indebtedness is past due;
	(vii) credit accommodations to borrower who frequently fails to respond to development finance institution calls, visits or demand notices to pay; and
	(viii) credit accommodations the repayment of which may be endangered by economic or market conditions or other factors which in the future may adversely affect the borrowers' ability to meet scheduled repayments such as declining or fluctuating operation, illiguidity, increasing leverage trend, or declining market prices over a given period.
Substandard classification	52. (1) Credit accommodations classified as substandard are those with weaknesses that jeopardise their liquidation such as weaknesses inherent in loans especially mentioned which are more severe or which have remained uncorrected over a period of one hundred and eighty one days or more.
	(2) The weaknesses under sub-regulation (11) may include adverse trend or developments of financial, managerial, economic, or political nature, or a significant weakness in collateral.
	(3) The basic characteristics of credit accommodations subject to substandard classification are as follows-
	(a) credit accommodations which are non-performing;
	(b) credit accommodations which possess the technical defects and weaknesses of loans especially mentioned and which have remained uncorrected for one

	hundred and eighty one days or more since the occurrence of deficiency;
	(c) credit accommodations, whether current or past due, which have become unsound due to unfavourable results of operations of the borrower, significant under-capitalisation of the borrower, or absence of favourable track record showing borrower's financial responsibility;
	(d) Term loans to borrowers whose cash flows are not sufficient to meet currently maturing debts and or overdrafts whose funds had been diverted or proceeds of the financed projects are not used to repay the amount outstanding; and
	(e) credit accommodations to distressed industries repayments of which are impaired.
Doubtful classification	53. Credit accommodations having the following basic characteristics shall be classified as doubtful.
	(a) credit accommodations classified as substandard in previous two consecutive quarterly reviews without any significant improvement since then in terms of full payment of interest due among other things, except where such loans are well-secured by legally enforceable collaterals, standby letters of credit and irrevocable guarantees of top rated international banks, or the government and that legal action has commenced and realization of collateral within one year or enforcement of the guarantees within thirty days from demand can be expected;
	(b) unsecured credit accommodations classified as substandard in the last quarterly review which have been extended, renewed or rolled over without repayment of all interest and charges due and at least ten per cent of the principal;
	(c) past due loans secured by collaterals such as inventories, receivables, equipment, and other chattels which have declined in value materially, without the borrower offering additional collateral and the borrower's financial condition does not justify unsecured lending;
	(d) past due loans secured by real mortgage title to which property is subject to an adverse claim rendering settlement of the loan through foreclosure doubtful or unviable;
	(e) credit accommodations whose possibility of loss is extremely high but for certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until a more exact status is determined.
Loss classification	54. Credit accommodation having the following basic characteristics shall be classified as loss-
	(a) credit accommodations classified as doubtful in previous two consecutive quarterly reviews without any significant improvement since then;
	(b) credit accommodations to borrowers whose whereabouts are unknown, or who are insolvent, whose earning power is permanently impaired and the guarantors or co-obligors are insolvent, or that their guarantees are not financially supported; and
	(c) credit accommodations considered as absolutely uncollectible.
Multiple credit	55. Where a development finance institution has granted more than one credit

accommodations	accommodation to a borrower or group of related parties, all such credit accommodations shall be assigned the least favourable classification given to any one of those credit accommodations.
Security consideration	56. The criteria for classifying credit accommodations shall apply regardless of the type of security held.
Rescheduling and restructuring	57. (1). A development finance institution shall maintain detailed written procedures to be followed in rescheduling or restructuring credit accommodations.
	(2) The rescheduled or restructured non performing credit accommodations shall not be upgraded into better classification unless new repayment schedule has been fully complied with for at least four consecutive installments.
	(3) Credit accommodations shall not be classified as non-performing where- (a) they are rescheduled once at the time of project completion; (b) the project is completed within six months of the original schedule; and (c) cost overruns do not exceed ten percent.
Special non-distributable reserve	58. (1) Notwithstanding International Financial Reporting Standards every bank or financial institutions shall classify credit accommodations and other assets and establish specific provisions not less than those specified in these Regulations.
	(2) Where the provisions computed in accordance with International Financial Reporting Standards are less than those required by these Regulations, a special non-distributable reserve shall be created through an appropriation of distributable reserves to eliminate the shortfall.
	PART V **LIQUIDITY REQUIREMENTS**
Liquidity management policies	59. (1) A development finance institution shall adopt sound and prudent liquidity management and funding policies that are consistent with the principles set out in the Risk Management Guidelines issued by the Bank.
	(2) The policies under sub-regulation (1) shall include-
	(a) delegation of responsibility for management of overall liquidity of the development finance institution to a specifically identifiable group, which may be known as the Asset and Liability Management Committee;
	(b) establishment and implementation of effective techniques and procedures to identify, measure, monitor and manage liquidity risk both in individual currencies and overall;
	(c) requirement for analyzing net funding requirements under alternative scenarios; and
	(d) contingency liquidity planning.
	(e) requirement for preparation of detailed cash flow forecasts to be carried out at least monthly for the next three and twelve months period.
	(f) requirement for preparation of a gap analysis to be carried out at least quarterly to compare the tenor of assets and liabilities in different time bands, from as short as thirty days to as long as five years and a plan for dealing with negative gaps.
	(g) a policy on minimum acceptable debt service ratio.
	(3) The liquidity management and funding policies under sub-regulation (1)

	shall be reviewed at least annually.
Adequacy of liquidity	60. A development finance institution shall maintain sufficient liquid assets to meet maturing obligations and liabilities.
	PART VI **GENERAL PROVISIONS**
Prohibited Activities	61. A development finance institution shall not-
	(a) mobilize or accept demand deposits or operate account similar to a current account that can be debited by the customer by writing a cheque or requesting a payment order;
	(b) mobilize or accept any savings deposits;
	(c) mobilize or accept time or fixed deposit with a maturity of less than twenty four months; and.
	(d) open a branch or subsidiary abroad, if its majority shares are owned by the Government.
Compliance with other regulations	62. The provisions of-
GN. No. 368 of 2008	(a) The Banking and Financial Institutions (Publication of Financial Statements) Regulations, 2008;
GN. No. 375 of 2008	(b) The Banking and Financial Institutions (Independent Auditors) Regulations, 2008;
GN. No. 369 of 2008	(c) The Banking and Financial Institutions (Foreign Exchange Exposure Limits) Regulations, 2008;
GN. No, 372 of 2008	(d) The Banking and Financial Institutions (Prompt Corrective Action) Regulations, 2008; and
GN. No. 79 of 2005	(e) The Banking and Financial Institutions (Internal Control and Internal Audit) Regulations, 2005,
	shall apply to development finance institutions.
Physical Security GN. No. 371 of 2008	63. The Bank shall issue directives to development finance institutions on the application of the provisions of the Banking and Financial Institutions (Physical Security Measures) Regulations, 2008.
Socially Viable Programs or Products	64. (1) A development finance institution may, for the purpose of implementing its policy objectives, and subject to a written agreement with the Government, undertake socially viable programs or products that do not meet the institution's commercial credit assessment criteria. (2) The agreement entered under sub-regulation (1), shall provide for obligations of the Government with respect to financing such socially viable programs or products.

	PART VI **ADMINISTRATIVE SANCTIONS**
Sanctions	65. Without prejudice to the other penalties and actions prescribed by Act, the Bank may impose one or more of the following sanctions where any of the provisions herein are contravened-
	(a) penalty on the development finance institutions, its directors, officers or employees responsible for non-compliance in such amounts as may be determined by the Bank;
	(b) prohibition from declaring or paying dividends;
	(c) suspension of access to the credit facilities of the Bank;
	(d) suspension of lending and investment operations;
	(e) suspension of capital expenditure;
	(f) suspension of the privilege to issue debt instruments;
	(g) suspension from office of the defaulting director, officer or employee;
	(h) disqualification from holding any position or office in any licensed or financial institution in Tanzania; and
	(i) revocation of the license;

FIRST SCHEDULE

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[Made under regulation 4(1)]

The Governor
Bank of Tanzania
P.O. Box 2939
Dar es Salaam
TANZANIA

Re: Application for a licence to carry out development finance business

Sir,

We, the undersigned, hereby apply for a License to carry out development finance business in Tanzania to be known as ____________________________________with principal place of business at ____________________________________

The proposed development finance institution shall have an authorized share capital of ______________ Tanzanian shillings and paid up capital of _______________ Tanzanian shillings which shall be contributed by the following subscribers:

Subscribed Shares

	Name of Subscriber	Number	Amount	Amount Paid-up	Percentage of Ownership
1.	____________	____________	____________	____________	____________
2.	____________	____________	____________	____________	____________
3.	____________	____________	____________	____________	____________
4.	____________	____________	____________	____________	____________
5.	____________	____________	____________	____________	____________
6.	____________	____________	____________	____________	____________
7.	____________	____________	____________	____________	____________
8.	____________	____________	____________	____________	____________
9.	____________	____________	____________	____________	____________
10	____________	____________	____________	____________	____________
11.	____________	____________	____________	____________	____________
12.	____________	____________	____________	____________	____________
13.	____________	____________	____________	____________	____________
14.	____________	____________	____________	____________	____________
15.	____________	____________	____________	____________	____________
16.	____________	____________	____________	____________	____________

17	________	________	________	________	________
18.	________	________	________	________	________
19.	________	________	________	________	________
20.	________	________	________	________	________
	Total				

We jointly and severally make a firm commitment to deposit the total amount of paid up capital for the proposed development finance institution with any bank registered in Tanzania such deposit to be made not later than thirty days after grant of this application.

In support of this application, we submit herewith the documents listed in the accompanying checklist. We certify the correctness of all the information indicated in such documents to the best of our knowledge and belief.

We hereby authorize the Bank of Tanzania and any of its authorized agents or staff members to make an enquiry or obtain any information from any source for the purpose of determining the correctness of all the representations made in connection with this application or of assessing its merits.

To facilitate communication between us, we have authorized ………………. to represent all of us in regard to this application. It is understood that any notice to him shall constitute sufficient notice to all of us.

Enclosed is a cheque for three million Tanzanian Shillings being payment of our application fee.

Yours faithfully,

________________ ________________
________________ ________________
________________ ________________
________________ ________________

SECOND SCHEDULE

[Made under regulation 4(3)]

CHECKLIST OF DOCUMENTS

1. Letter of application in the prescribed form.

2. Proposed Memorandum and Articles of Association.

3. Proof of source and availability of funds for investment as capital of the proposed company.

4. List of shareholders and proposed members of board of directors and Chief Executive Officer.

5. Proof of citizenship of every shareholder and every proposed director and senior management officer. This includes detailed curriculum vitae, photocopy of the pages of the passport which contain personal information and two recent passport size photographs.

6. Description of accounting system and information and communication technology in use or to be used in the operations of the development finance institution and proposed future investment;

7. Number of employees, job descriptions of senior management positions and an organization chart;

8. Key policies that shall ensure that the development finance institution operates in a safe and sound manner.

9. Audited Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flows for the last three years, of every subscriber who owns five per cent or more of the share capital of the proposed development finance institution;

10. Certified copies of annual returns of every shareholder who owns five per cent or more of the share capital of the proposed company and every proposed member of the board of directors and Chief Executive Officer together with accompanying schedules or financial statements filed during the last three years with relevant Authority.

11. Certified copies of tax returns of every shareholder who owns five per cent or more of the share capital of the proposed company and every proposed member of the board of directors and Chief Executive Officer together with accompanying schedules or financial statements filed during the last three years with relevant Tax authorities together with respective tax clearance certificates.

12. Statements from two persons who are not relatives vouching for the good moral character and financial responsibility of the subscribers who own five per cent or more of the share capital of the proposed company and the proposed directors and Chief Executive Officer.

13. Declaration that the funds to be invested have not been obtained criminally or associated with any criminal activity.

14. Business plan for the first four years of operations including the strategy for growth, branch expansion plans, dividend payout policy, career development programme for the staff and budget for the first year.

15. Projected annual Statements of Financial Position, annual Statements of Comprehensive Income and annual Statements of Cash Flows for the first four years of operation.

16. Brief description of economic benefits to be derived by Tanzania and the community from the proposed company.

THIRD SCHEDULE

[Made under regulation 4(4)]

General guidelines for preparation of Business plan

1. The business plan should be prepared by the promoters and will be reviewed by the Bank to determine whether approval should be given to operate a development finance institution. The plan should identify the institution's markets, its proposed services, management capabilities, growth plan, and strategies for profitability.

2. The business plan should present data, which accurately reflect the economic condition of the delineated market and address statutory and regulatory changes, which may affect the operations of the proposed development finance institution. Proposal should reflect the realities of the market place.

3. A business plan should contain sufficient information to demonstrate that the proposed development finance institution has reasonable likelihood of success. In this regard a detailed listing of all assumptions such as used in preparing the business plan should be attached to the submission (e.g. a margin analysis and cost of funds). Therefore, organizers must ensure that the business plan projections are well supported and goals and objectives are properly defined on initial submission.

Market Analysis

4. Analyse the market to be served. Describe the market in which you expect to provide services in terms of economic characteristics for example size, income and industry patterns. Include anticipated changes in the market, the factors influencing those changes, and the effect they will have on the proposed institution. To the extent necessary for making business decision, describe differences in the product market to be served for example, differences in the depository and credit market. Analysis will be based on use of the most current economic data available. Sources of information used are reviewed for credibility and are important in reviewing the data.

5. Analyse the competition. List the competitors inside the market to be served, those outside who might affect the markets served and any potential competition. Give your perception and analysis of the market strategies and expected results in terms of relative strength, market shares and prices.

6. Explain the strategies you will follow to capture a share of each product market and the results you expect to achieve. Use a sample format to present a summary of your expectations.

Plans and Objectives

7. Review major planning assumptions used in the analysis and in setting the plans and objectives for a new institution. Include at least the following market growth, interest rates, cost of funds and competition.

8. Projections should show the expected asset and liability mix, volume for each type of services, fixed asset investments and officer and staff remuneration. Projections must be based on the planning assumptions which must be submitted as part of the application, market analysis, and strategies discussed above. Discuss the advantages and disadvantages of the proposed asset/liabilities mix, including a net interest margin analysis, and any actions which will be taken to reduce major risks through appropriate

funds management techniques and systems.

9. Discuss the formula or basis used to arrive at the proposed capital structure and an explanation of why the promoters believe the proposed amount is sufficient in light of given market factors, strategies, and expenses. Promoters are expected to raise an amount sufficient to effectively compete in the market are and adequately support planned operations in addition to all organizational expenses. The Bank may require a higher amount to maintain capital adequacy to support operations projected through the end of the institution's fourth year.

10. Discuss plans for raising capital initially and to finance growth within the first four years. Explain how the plans will keep the institution in conformity with the Bank's Capital Adequacy Regulations, 2008 specifically addressing compliance with the risk-based capital guidelines.

Credit Policy and Procedures

11. Credit policies are a set of broad statements establishing the concept and objective parameters for type, limits for maturities, loan pricing criteria client and collateral standards to be fulfilled by borrowers, aggregate and individual concentration limits, and loan authority and procedures for collection and charge-offs.

12 Credit manual must be prepared comprising of detailed guidelines for implementing the stated policies. The manual generally will address types of business desired, proper borrower financial information; credit files maintenance; enforcement of repayment schedules; and periodic review and other reports to be generated and distributed.

13. Credit policies and manuals need to cover all the steps of credit production and administration which include initiation, investigation and analysis, procedures for approval, renewals and extensions, documentation, perfection of collateral, funds disbursement and recovery.

14 The structure should in principle reflect the nature and scope of the intended activities of the institution and the mechanism by which the management envisages to govern the institution and to monitor as to what extent the objectives of the institution are achieved.

17. The structure should show the relationships between the board and management. It should also show the composition of various departments of the institution. The structure should also indicate the number of staff envisaged for each unit. Support units such as internal audit, legal services and others should be indicated.

18. The promoters should be able to show the names of specific persons that are envisaged to take certain key positions in the institution. If the actual persons cannot yet be identified, promoters should indicate the requirement clearly in terms of training, experience and personal characteristics.

19. Promoters are required to disclose how the proposed development finance institution will develop the professional and technical skills of their staff and Tanzanians will be employed, trained and occupy positions of senior or managerial ranks in the institution. All future plans should be indicated.

Financial Projections

20. Promoters must prepare projected Statements of Financial Position, Statements of Comprehensive Income and Statements of Cash Flows. They must submit statements that reflect their assets, liabilities, and capital projections for the number of years projected to reach profitability; however, a minimum of four years must be displayed.

21. At a minimum, the information in the following forms must be provided. Additional data should be included to reflect important element of your planned asset and liability mix for example, the loan and deposit schedules might be expanded. Average balances, rather than year-end estimates, should be used.

Average balances may be computed by projecting monthly or quarterly account balances and averaging (annualizing) for the appropriate number of periods used.

PROJECTED STATEMENTS OF FINANCIAL POSITION
[In'000 Tanzanian Shillings]

PARTICULARS	Year 1	Year 2	Year 3	Year 4
Assets				
Cash				
Balances with Bank of Tanzania				
Balances with other banks				
- in Tanzania				
- abroad				
- investment in debt securities				
- Treasury bills				
- Other Securities (use separate schedule]				
Loans, Advances and Overdrafts (Net]				
- loans and Advances				
- overdrafts				
- allowance for losses (as a deduction]				
Premises, Furniture and Equipment				
- use separate schedule]				
Other Assets (Use separate schedule]				
TOTAL ASSETS				
Liabilities Time Deposits				
Deposits from other banks				
- in Tanzania - abroad - other deposits (use separate schedule]				
Total deposits				
Other liabilities (use separate schedule] Capital				
- paid-up capital - Ordinary - preference				
Reserves				
- share premium (discount] - retained earnings - capital reserves - others (specify]				
Total Equity				
TOTAL LIABILITES AND CAPITAL				
Off-balance sheet commitments				

PROJECTED STATEMENTS OF COMPREHENSIVE INCOME
[In'000 Tanzanian Shillings]

PARTICULARS	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Total Interest Income Interest Expenses - deposits (use separate schedule] - borrowings - Others (specify]				
Total Interest Expenses				
NET INTEREST INCOME				
Provision for loan losses Bad debt written off Non-Interest Income - foreign exchange gain/losses - commission and fees (use separate schedule] - others (use separate schedule]				
Total Non- Interest Income Non-Interest Expenses - officers' salaries and benefits - employees' salary and benefits - depreciation expenses - maintenance costs - others (use separate schedule]				
Total Non-Interest Expenses Operating Income (Losses] Extra Ordinary Income/Losses (specify] Net Income/Loss before Income Tax Income taxes Net Income/Loss after tax				

PROJECTED STATEMENTS OF CASH FLOWS
[In'000 Tanzanian Shillings]

PRACTICE	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Part 1 Cash flow from operating activities Net Income (Loss] Adjustments to reconcile income				
- provisions - net change in loans and advances - gains/Loss on sale of assets - net change in deposits - net change in short-term negotiable securities - net change in other liabilities - net change in other assets - others (specify]				
Net cash provided (used) by operating activities				
Part II				
Cash flow from investing activities				
- dividend received				
- purchases of fixed assets				
- purchases of investment securities				
- proceeds from sales of investment securities				
- others (specify)				
Net cash provided (used) by investing activities				
Part III				
Cash flow from financing activities - Repayment of long-term debt - Proceeds from issuance of long-term debt - Proceeded from issuance of share capital - Proceeds from sale of fixed assets - Payment of cash dividends - Net change in other borrowings - Others (specify)				
Net Cash provided (used) by financing activities				
Part IV				
Cash and Cash Equivalents				
Net decrease/increase in cash and cash equivalents				
- Cash and Cash equivalents at the beginning of the year - Cash and Cash equivalents, current year-to-date				

FOURTH SCHEDULE

[Made under regulation 15(1)]

CRITERIA FOR DETERMINING THE CHARACTER AND EXPERIENCE REQUIRED FOR A MEMBER OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT OF DEVELOPMENT FINANCE INSTITUTION

1. In order to determine, for the purpose of these Regulations, the character and moral suitability of persons proposed to be members of the Board or senior management, the Bank shall have regard to the following qualities, in so far as they are reasonably determinable, of the person concerned-

(b) adequate education background;
(c) general character;
(d) professional skills, competence and soundness of judgment for the fulfilment of the responsibilities of the office in question; and
(e) the diligence with which the person concerned is likely to fulfil those responsibilities.

2. For the purpose of and without prejudice to the generality of the provisions of paragraph (1), the Bank may have regard to the previous conduct and activities of the person concerned in the business or financial matters and, in particular to evidence that such person-

(a) has committed any act of bankruptcy;
(b) was a director or in a senior management position of a bank or financial institution that has been liquidated or is under liquidation or statutory management;
(c) has committed or been convicted of the offence of fraud or any other offence of which dishonesty is an element;
(d) has contravened the provision of any law designated for the protection of members of the public against financial loss due to the dishonesty or incompetence of, or malpractices by, persons engaged in the provision of banking, insurance, investment or other financial services.

3. Any other criteria, which the Bank may prescribe, from time to time.

4. The following documents shall be submitted to the Bank with respect to each proposed director and senior management team, together with other documents the Bank may require-

(a) detailed curriculum vitae;
(b) certified copies of academic and professional certificates;
(c) photocopy of the pages of the passport which contain personal information including photograph, nationality, date and place of birth and issuer of the passport;
(d) two certified passport size photographs; and
(e) references from two persons who are not relatives, vouching for good moral character, integrity and performance.

Dar Es Salaam**,**
--- January, 2012

BENNO. J. NDULU
Governor