

THE BANKING AND FINANCIAL INSTITUTIONS
(MICROFINANCE ACTIVITIES) REGULATIONS, 2014

ARRANGEMENT OF REGULATIONS

Regulation *Title*

PART I
PRELIMINARY PROVISIONS

1. Citation.
2. Application.
3. Interpretation.
4. Objectives.

PART II
CRITERIA FOR LICENSING MICROFINANCE BANKS

5. Application for Licence.
6. Principal contact person.
7. Grant of licence.
8. Legal Opinion.
9. Source of capital.
10. Integrity of shareholders.
11. Financial capacity.
12. Character and experience.
13. Assurance of capital.
14. Contribution to the country's economy.
15. Disclosure of intended products and services.
16. Training and succession plan.
17. Feasibility studies.
18. Transforming microfinance institution.
19. Pre-licensing inspection for transforming microfinance institutions.
20. Management agreement.
21. Submission of Memorandum and Articles of Association.
22. Deposit of paid up capital.
23. Commencement of business.

GN. No. 298

24. Undertaking by board members.
25. Opening of banking units and subsidiaries.
26. Supporting documentation.
27. Transformation into fully fledged bank.

PART III
ORGANIZATION, OWNERSHIP AND MINIMUM CAPITAL

28. Legal form and business name.
29. Board membership.
30. Appointment and change of Directors and management.
31. Employment of non-Tanzanians.
32. Restrictions on ownership.
33. Minimum capital.
34. Capital adequacy.
35. Available capital.
36. Subordinated debt.
37. Remedial measures.

PART IV
PERMISSIBLE ACTIVITIES AND PRUDENTIAL LIMITS

38. Permissible activities.
39. Single borrower's limit.
40. Credit limit to single insider.
41. Aggregate credit limit to insiders.
42. Loans to Officers and Employees.
43. Placements with other banks or financial institutions.

PART V
LIQUIDITY MANAGEMENT

44. Liquidity management policies.
45. Contingency plans.
46. Minimum Liquid Assets Ratio.
47. Liquidity reporting.
48. Maturity profile.

PART VI
MANAGEMENT OF RISK ASSETS

49. Risk management policies.
50. Unregistered collateral.
51. Restructuring of microfinance loans.
52. Review and classification.
53. Past due loans.
54. Classification of microfinance loans.
55. Classification by quantitative criteria.
56. Classification and security consideration.
57. Credit accommodations secured by cash or near cash items.
58. Classification of other receivables.
59. Classification of off balance sheet exposures.
60. Provisioning under International Financial Reporting Standards.
61. Specific provisions.
62. Additional provisions.
63. Impairment for other assets.
64. Suspension of interest on non-performing credit accommodations.
65. Annual provision approval by the Bank.
66. Fair lending practices

PART VII
GENERAL PROVISIONS

67. Submission of monthly report.
68. Reporting requirements.
69. Compliance with other regulations.
70. Sanctions.
71. Revocation .

SCHEDULES

THE BANKING AND FINANCIAL INSTITUTIONS ACT
(CAP 342)

REGULATIONS

(Made under section 71)

THE BANKING AND FINANCIAL INSTITUTIONS
(MICROFINANCE ACTIVITIES) REGULATIONS, 2014

PART I
PRELIMINARY PROVISIONS

- Citation **1.** These Regulations may be cited as the Banking and Financial Institutions (Microfinance Activities) Regulations, 2014.
- Application **2.** These Regulations shall apply to microfinance banks and other banks and financial institutions engaged in microfinance activities.
- Interpretation **3.** In these Regulations unless the context otherwise requires-
- “Act” means the Banking and Financial Institutions Act;
 - “Bank” means the Bank of Tanzania;
 - “bank” has the meaning ascribed to it in the Act;
 - “banking business” has the meaning ascribed to it in the Act;
 - “connected party” has the meaning ascribed to it in the Act;
 - “core capital” has the meaning ascribed to it in the Act;
 - “credit accommodation” means loans, overdrafts and advances, leasing, acceptances, performance and bid bonds, letters of credit, guarantees, foreign exchange contracts or any other form of a direct or indirect financial obligation including interest due and unpaid to an institution;

“demand liabilities” include current account deposits, time deposits, savings deposits, deposits of banks, interbank borrowings payable at call or within seven days, banker’s cheques and drafts issued, payment orders and transfers payable, foreign currency deposits and borrowings, other deposits, off balance sheet commitments maturing within one year and such other liabilities as the Bank may determine;

“deposit” has the meaning ascribed to it in the Act;

“financial institution” 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 bank or financial institution as per the criteria set out in the First Schedule to these Regulations;

“liquid assets” include-

- (a) cash;
- (b) current account balances and currency deposits with the Bank as shown in the books of the Bank;
- (c) balances with other banks with maturities of seven days or less or withdrawable on demand;
- (d) cheques and items for clearing;
- (e) uncommitted balances with banks outside the United Republic withdrawable on demand and money at call outside Tanzania after deducting there from balances owed to banks outside the United Republic;
- (f) foreign currency notes and coins including gold, treasury bills and other government securities maturing within one year and as long as they are unencumbered;
- (g) commercial bills and promissory notes discounted at the Bank; and
- (h) such other assets as the Bank may determine;

“microfinance activities” means a business involving-

- (a) accepting deposits from the public;
- (b) employing deposits wholly or partly in lending or extending credit for the account and at the risk of the person accepting those deposits, including the provision of short term loans to small or micro enterprises and low income households, usually characterized by the use of collateral substitutes, such as group guarantees or compulsory savings; and
- (c) transacting such other activities as may be authorized by the Bank;
- (d)

“microfinance bank” means a bank or financial institution which is licensed by the Bank to undertake banking business mainly with individuals, groups and micro and small enterprises in the rural or urban areas;

“micro-enterprise” has the meaning ascribed to it in the Act;

GN. No. 298

“microfinance institution” means an institution engaged in provision of microfinance loans and which is not regulated by the Bank;

“microfinance loan” means a credit accommodation with the following features-

- (a) its security may include non-traditional collateral;
- (b) is granted to a natural person, individually or in a group, or to a firm, whose income is derived from business activities involving the production or sale of goods or the provision of services;
- (c) is not necessarily supported by formal financial or non-financial records or documentation detailing the income or repayment capacity of the borrower or by registered collateral; and
- (d) is granted on the basis of the borrower’s character or willingness to repay and the combined cash flows of the borrower’s business and household,

and it includes microcredit, microenterprise credit or micro loan;

“related party”

- (a) in relation to a 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; and

- (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, and it includes connected party;

“restructured credit accommodation” means a credit accommodation whose terms and conditions have been modified in terms of repayment period, repayable amount, installments or rate of interest due to economic or other reasons relating to the borrower’s financial difficulty;

“senior management” in relation to a bank or financial institution means a Chief Executive Officer, heads of function, any other senior manager reporting to the Chief Executive Officer and any other person, other than members of the board of directors, who, individually or as a group-

- (a) makes or participates in making decisions that affect the whole or a substantial part of the business of the bank of financial institution;
- (b) has the capacity to affect the bank’s or financial institution’s financial standing; or
- (c) may affect the whole, or a substantial part, of the business of the bank or financial institution or its financial standing through their responsibility for-
 - (i) enforcing policies and implementing strategies approved by the Board of the bank or financial institution;
 - (ii) developing and implementing systems that identify, assess, manage or monitor risks in relation to the business of the bank or financial institution; or
 - (iii) monitoring the appropriateness, adequacy

GN. No. 298

and effectiveness of risk management systems;

GN. No. 298

“supplementary capital” has the meaning ascribed to it in the Act; and

“total capital” has the meaning ascribed to it in the Act.

Objectives

4. The objectives of these Regulations shall be-
 - (a) provide operational framework for microfinance banks including permissible activities, prudential limits and related parties transactions;
 - (b) provide a framework for other banks and financial institutions to conduct microfinance activities; and
 - (c) ensure that micro finance business is conducted in a safe and sound manner.

PART II

CRITERIA FOR LICENSING MICROFINANCE BANKS

Application
for Licence

5.-(1) A person who intends to engage in microfinance activities as a microfinance bank shall, by a letter in the form prescribed in the Second Schedule, apply for a license to the Bank.

(2) Any person shall, before submitting an application referred to under sub-regulation (1), apply for a pre-filing meeting with the Bank.

(3) An application referred to under sub-regulation (1) shall be signed by the directors of the applicant or a person authorized by the applicant and be accompanied with-

- (a) a copy of each of the documents listed in the Third Schedule; and
- (b) non-refundable application fee of ten million shillings or any other amount as may be determined by the Bank to be paid through a bankers' cheque or other means acceptable to the Bank.

(4) A person shall not engage in microfinance activities unless that person has obtained a license issued by the Bank.

(5) A person who contravenes the provision of sub-regulation (4) commits an offence and on conviction shall be liable to the punishment stipulated in the Act.

Principal

6. An applicant for a license shall designate a

GN. No. 298

contact person principal contact person for the purposes of application processes and inform the Bank of the name and address of such a person.

Grant of licence **7.-** (1) The Bank shall-

(a) within ninety days after receipt of a complete application; or

(b) where additional information has been required, after receipt of such information, grant a licence or reject the application;

(2) Where the Bank has rejected the application it shall inform the applicant in writing explaining the grounds for rejection.

(3) An applicant whose application has been rejected may reapply, if the deficiencies that formed the basis for rejection of the initial application or subsequent review have been corrected or otherwise addressed.

(4) When a licence is issued, it shall remain in force unless suspended or revoked in the manner provided in the Act.

Legal Opinion **8.** The Bank may require the applicant to provide legal opinion on any issue related to the application of the license as it may determine.

Source of capital **9.** The applicant shall provide-

(a) a written proof of sources of funds; and

(b) a written confirmation that the proposed paid up capital shall be fully paid up prior to commencement of operations.

GN. No. 298

Integrity of
shareholders

10. The Bank shall consider the history of the proposed shareholders in assessing the applicant's reputation, experience in banking operations, financial soundness and integrity in past and present business practices.

Financial
capacity

11.-(1) The Bank shall evaluate the financial capacity of the applicant.

(2) The soundness of an applicant's financial position, his business affiliates and the financial condition of those business affiliates shall be measured on-

- (a) levels of capital as shown on balance sheets; and
- (b) the potential financial support that may be made available when the microfinance bank require capital injection.

(3) The Bank shall assess-

- (a) the ability of the applicant and his business affiliates to pay their current obligations from their income;
- (b) reasonability of valuation they assign to their assets; and
- (c) net-worth in relation to other liabilities.

(4) The Bank shall establish that shares in a microfinance bank are not acquired with borrowed money.

(5) Sub-regulation (4) shall not apply to a microfinance bank going public, provided that shares to be acquired at the Initial Public Offer stage shall not be pledged as collateral.

Character and
experience

12.-(1) The Bank shall make an assessment as to whether the proposed members of the Board of Directors and senior management of a proposed microfinance bank are fit and proper in accordance with the criteria set out in the First Schedule.

(2) Without prejudice to sub-regulation (1) the Bank shall-

- (a) evaluate the proposed members 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 controls, audit programmes and management information systems;

- (b) 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;
- (c) require board and senior management team to comprise people of sufficiently strong character who are able to oversee the microfinance bank's operations effectively by having the requisite microfinance or banking business experience; and
- (d) 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;

(3) The Bank may interview the proposed board and senior management team members and enquire as to past performance, reputation and skills.

(4) For the purpose of the assessment referred to in this regulation, the proposed directors and senior managers shall complete the questionnaire in the Fifth Schedule to these Regulations.

Assurance of capital

13. A shareholder of a proposed microfinance bank shall provide to the Bank an assurance that the proposed paid up capital shall be fully paid before commencement of banking operations.

Contribution to the country's economy

14.-(1) An applicant for a license shall communicate to the Bank intention of the proposed institution in contributing towards the country's economic development.

(2) The Bank shall, when making an evaluation of the application, take into account the extent to which the business strategy, policies and outreach plans of the

GN. No. 298

applicant are designed to enhance financial inclusion by directly or indirectly promoting the financial or economic activities in the rural sector including agriculture, rural-based industries, mining and tourism.

Disclosure of intended products and services

15.-(1) An applicant shall indicate in the business plan the financial products and services he intends to provide and how such products and services shall be beneficial to the country.

(2) A microfinance bank shall, before introducing a new product or service in the market, obtain prior approval of the Bank

(3) When seeking for the approval under sub-regulation (2), a bank of financial institution shall submit to the Bank the description of the product or service, risk inherent in it and mitigation strategies.

Training and succession plan

16.-(1) An applicant shall submit a training plan indicating specific time frames for imparting banking and microfinance skills and expertise to staff.

(2) The applicant shall submit a succession plan and strategies on mode, time and contents of the extent to which Tanzanian staff shall occupy senior management positions in the microfinance bank.

Feasibility studies

17.-(1) An applicant for a license shall provide details of a feasibility study, business plan and projected balance sheets, income statements and cash-flow statements for four years.

(2) The applicant shall, at minimum, provide-

(a) draft policies and procedural manuals establishing how the microfinance bank shall operate in a manner consistent with the principles established in Risk Management Guidelines for Banks and Financial Institutions issued by the Bank;

(b) description of accounting system and information and communication technology to be used in the operations of the microfinance

- bank and proposed future investment;
- (c) number of employees, job descriptions of senior management positions and an organization chart;
- (d) description of internal control procedures that the microfinance bank shall implement;
- (e) narrative description of shareholders, board and senior management of the microfinance bank;
- (f) plans and strategies for promoting and supporting financial inclusion in the rural areas; and
- (g) sources of funds of shareholders and subscribers.

(3) The business plan referred to under sub-regulation (1) shall be prepared in accordance with the guidelines provided in the Fourth Schedule.

(4) A microfinance bank shall, when changes are made to its key policies set out in the Sixth Schedule of these Regulations or organization chart, submit copies of revised policies or organization chart to the Bank not later than thirty days after they are approved by the Board of Directors.

(5) When a microfinance bank submits a revised copy of policy or organisation structure referred to under sub-regulation (4), it shall clearly indicate areas of change.

Transforming
microfinance
institution

18. A microfinance institution that intends to transform into a microfinance bank shall, in addition to the information required under regulation 5, provide the following information-

- (a) resolution of the Board and shareholders approving the transformation and the proposed investment; and
- (b) a due diligence report prepared by an external audit firm or any other approved independent body on the operational and financial performance, legal risks and a detailed review of the adequacy of management information and system of internal controls.

GN. No. 298

Pre-licensing inspection for transforming microfinance institutions

19. The Bank shall carry out an on-site inspection of a microfinance institution that intends to transform into a microfinance bank to confirm the following-

- (a) evidence of availability of capital to meet the minimum capital requirements as specified in these Regulations;
- (b) appropriateness of the business premises including the head office and existing branches; and
- (c) adequacy of management information system, administrative and operational processes and internal control system.

Management agreement

20. A management or technical assistance agreement involving a microfinance bank shall be subject to prior approval of the Bank and governed by the laws of Tanzania.

Submission of Memorandum and Articles of Association

21.-(1) A microfinance bank shall submit to the Bank a copy of its Memorandum and Articles of Association after registration by the Registrar.

(2) A microfinance bank shall not, without obtaining prior written approval of the Bank, amend its Memorandum and Articles of Association.

Deposit of paid up capital

22. A microfinance bank shall, not later than thirty days or any other period to be specified by the Bank after grant of the licence, deposit its paid up capital either in Tanzanian Shillings or in foreign currency, in a Tanzanian registered bank or financial institution, or in Treasury Bills and other Government securities of maturity not more than 364 days held with the Bank.

Commencement of business

23.-(1) A microfinance bank shall commence its operations within twelve months from the date the licence was granted, unless such period is extended in writing by the Bank.

GN. No. 298

(2) A microfinance bank shall not commence business unless its 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.

Undertaking by
board members

24. Every member of the Board of Directors of a microfinance bank shall-

- (a) execute a legally binding undertaking to fulfil his obligations towards maintaining a safe, sound and profitable institution; and
- (b) undertake to comply with the provisions of the Act, Bank of Tanzania Act, and other laws, regulations, policies, circulars, orders and instructions made there under.

Opening of
banking units
and subsidiaries

25.-(1) A microfinance bank shall not invest in capital expenditure for the purpose of opening a representative office, subsidiary, branch, agency or additional office in or outside the United Republic unless it has obtained the prior approval of the Bank.

(2) The Bank may approve an application for opening a subsidiary, branch, agency or additional office after proven successful, sound and profitable operations and it may, as a condition for approval, require additional capital.

Supporting
documentation

26. An application for establishment of a subsidiary, branch, agency or an additional office shall be supported by-

- (a) projected balance sheet and income statement for the next three years;
- (b) consolidated projected balance sheet and income statement for the next three years;
- (c) proposed organization structure;
- (d) detailed budget and programme for the establishment;
- (e) names and particulars, including curriculum vitae for persons proposed to take up senior

GN. No. 298

- positions; and
(f) any other information the Bank may require.

Transformation
into fully
fledged bank

27. A microfinance bank may transform into a fully-fledged bank subject to prior approval of the Bank.

PART III
ORGANIZATION, OWNERSHIP AND MINIMUM CAPITAL

Legal form and
business name

28. A microfinance bank shall be organized in the form of a company limited by shares and incorporated under the laws of the United Republic and incorporate the words “Microfinance Bank” in its business name.

Board
membership

29.-(1) The Board of Directors of a microfinance bank shall be composed of not less than five members who have experience related to finance, business, microenterprise or law, two thirds of whom shall be non-executive.

(2) Two of the non-executive board members referred to under sub-regulation (1) shall be independent and have microfinance experience.

(3) The chairperson of a Board of Directors of a microfinance bank shall be a non-executive member of the board.

(4) The chairperson of a Board of Directors of a microfinance bank shall not be a member of audit committee or credit committee of the board.

Appointment
and change of
Directors and
management

30.-(1) A microfinance bank shall not appoint any person as senior manager or board member and assign that person responsibilities unless it has obtained prior approval of the Bank.

(2) The chief executive officer of a microfinance bank shall have a satisfactory record of experience in managing an institution specialized in microcredit or in financial intermediation.

GN. No. 298

(3) Where a post of senior management or member of the Board of Directors is vacant, a microfinance bank shall in writing and within seven days notify the Bank of the vacancy provided that a post of senior management or member of the Board of Directors shall be deemed to be vacant if a person who holds such position is dismissed, resigns, incapacitated or for any other reason that person ceases to hold such posts.

Employment of
non-Tanzanians

31.-(1) A microfinance bank shall not employ a non-Tanzanian or renew any contract of such a person unless it seeks and obtains prior approval of the Bank.

(2) The number of non-Tanzanians in the microfinance bank shall not exceed five at any time.

(3) Subject to sub-regulation (2), any application for an extra person shall be submitted to the Bank which may authorise any additional person, taking into consideration the following-

- (a) availability of qualified Tanzanians for the proposed position;
- (b) complexity of the functions and roles to be undertaken;
- (c) approval granted by Tanzania Investment Centre;
- (d) emergency situation which may warrant extra person; and
- (e) the timeframe the extra person is expected to stay in the microfinance bank and impart knowledge to Tanzanians.

Restrictions on
ownership

32.-(1) A person shall not directly or indirectly own or control a beneficial interest of more than twenty percent of the voting shares of any microfinance bank, except as provided under section 15 of the Act.

(2) For the purpose of sub-regulation (1) indirect ownership or control shall mean ownership or control through related parties.

(3) The Bank may authorize a body corporate to own up to sixty-six per cent of the share capital of a

microfinance bank, if that the body corporate has-

- (a) sufficient financial resources; and
- (b) a proven track record of at least ten years in lending to households, small holder farmers or small or microenterprises of the urban or rural sector,

provided that where a body corporate is a microfinance institution which intends to transform into a microfinance bank, it shall phase out its commercial lending operations.

(4) A body corporate may transfer its lending portfolio or other assets to a microfinance bank if such portfolio or other assets have been assessed by an independent party and consideration for the transferred portfolio or assets is by issuance of new shares.

(5) The Bank shall subject to a “fit and proper test”, and require disclosure of, all proposed shareholders whose participation exceeds five percent of the equity of the microfinance bank.

Minimum capital

33.-(1) A microfinance bank shall commence operations with and maintain at all times a minimum core capital of not less than five billion shillings or such higher amount as the Bank may prescribe.

(2) Where capital is remitted in foreign currency, it shall be reflected in the books of the microfinance bank in Tanzanian shilling using exchange rate prevailing on the date of remittance.

Capital adequacy

34.-(1) A microfinance bank shall at all times maintain a minimum-

- (a) core capital of not less than twelve and one half per cent of its total risk-weighted assets and off balance sheet exposure; and
- (b) total capital of not less than fourteen and one half per cent of its total risk weighted assets and off balance sheet exposure.

(2) The total risk-weighted assets and total risk-weighted off balance sheet exposures shall be determined in

GN. No. 298

accordance with procedures stipulated by the Bank.

Available
capital

35. In determining the amount of available capital for the purposes of computing the minimum capital required under regulations 33, the microfinance bank shall consider the following-

- (a) fifty per cent of the year-to-date profits where accounts are unaudited; or
- (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; and
- (c) amount of the investment of the microfinance bank in the capital of another company, firm, entity or subsidiary to the extent of the reciprocal investment of such company, firm, entity or subsidiary in the capital of the microfinance bank shall be deducted from the capital of that microfinance bank.

Subordinated
debt

36. 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 microfinance bank ;
- (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 microfinance bank is solvent and shall remain solvent immediately thereafter.

GN. No. 298

Remedial
measures

37. Where, in the opinion of the Bank, a microfinance bank is undercapitalized, the Bank shall take measures prescribed in the Banking and Financial Institutions (Prompt Corrective Action) Regulations, to address the undercapitalization and nothing in such Regulations or these Regulations shall preclude the Bank from taking other remedial measures provided by the Act.

PART IV
PERMISSIBLE ACTIVITIES AND PRUDENTIAL LIMITS

Permissible
activities

38.-(1) A microfinance bank may, subject to any condition or regulation which the Bank may prescribe, perform any of the following activities as primary function-

- (a) accepting saving deposits from the public;
- (b) accepting fixed or time deposits from the public;
- (c) accepting special deposits, such as from a development bank, wholesale financial institution, or government;
- (d) issuing microfinance loans to individuals, groups of individuals, micro and small enterprises, including microfinance guarantees;
- (e) issuing housing microfinance products to individuals, micro and small enterprises;
- (f) making remittances, payment orders, collection of payment instruments, safe custody and transfer of funds for its clients;
- (g) provision of payment services such as salaries and pensions;
- (h) provision of loan disbursement services for the delivery of credit programme of government, agencies, groups and individual for poverty alleviation on non-recourse basis;
- (i) maintenance and operation of various types of accounts with other banks in Tanzania;
- (j) operation of micro leasing facilities, micro finance related hire-purchase and arrangement

of consortium lending and supervision of credit schemes to ensure access of micro finance customers to inputs for their economic activities;

- (k) provision of professional advice to customers regarding investments in small businesses; rendering managerial, marketing, technical and administrative advice to customers and assisting them in obtaining services in such fields;
- (l) raising funds from the public or from other refinancing sources; and
- (m) such other activities as may be authorized by the Bank.

(2) A microfinance bank shall not engage in any of the following activities unless allowed by the Bank and subject to these Regulations-

- (a) operating current account for clients;
- (b) foreign exchange business;
- (c) foreign trade finance;
- (d) trust operations;
- (e) equity investment;
- (f) participation in the underwriting and placement of securities;
- (g) purchase or acquisition of any land or any interest or right therein except as may be reasonably necessary for the purpose of conducting its business, where such investments do not exceed such proportion of its core capital as may be prescribed by the Bank;
- (h) international commercial papers;
- (i) dealing in land for speculative purposes;
- (j) investing in real estate except for its use as office accommodation; and
- (k) extending loans for the account and at the risk of another person or institution.

(3) Where the Bank grants a license to a microfinance bank it may impose terms and conditions as it

GN. No. 298

may deem appropriate, including temporary or permanent restrictions regarding the individual or total amounts of credit accommodations or the engagement in any activities or operations.

Single
borrower's limit

39. A microfinance bank shall not directly or indirectly grant to any person and his related parties, credit accommodation the value of which exceeds three percent of core capital.

Credit limit to
single insider

40.-(1) The total amount of credit accommodation which any microfinance bank may grant, directly or indirectly, to any insider shall not exceed two percent of the core capital of the microfinance bank.

(2) The limit prescribed under sub-regulation (1) shall apply regardless of the type and value of security held.

Aggregate credit
limit to insiders

41.-(1) A microfinance bank shall not, directly or indirectly, grant to its insiders credit accommodations whose aggregate amount exceeds twenty percent of its core capital.

(2) The limit referred to under sub-regulation (1) shall apply to a person who has ceased to be an insider unless two years have elapsed from the date when such a person ceased to be an insider.

Loans to
Officers and
Employees

42.-(1) A microfinance bank 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 be the basic salary plus fixed allowances paid in cash to the officer or employee on a regular and periodic basis as part of his compensation for services rendered to the microfinance bank.

(3) The provisions of sub-regulation (2) shall not apply to benefits or entitlement which depends on a contingency such as medical and hospitalization benefits or

GN. No. 298

allowances for attending seminars, meeting or other non-cash benefits.

(4) Loans and advances to officers and employees of microfinance bank granted 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 a microfinance bank shall be in the regular course of business and on the terms not more favorable than would be available to other borrowers.

Placements with other banks or financial institutions

43. A microfinance bank shall not deposit in a single bank, financial institution or microfinance bank, an amount exceeding twenty five per cent of its core capital.

PART V LIQUIDITY MANAGEMENT

Liquidity management policies

44.- (1) The Board of Directors of a microfinance bank shall adopt sound and prudent liquidity management and funding policies which are consistent with the principles set out in the Risk Management Guidelines for Banks and Financial Institutions issued by the Bank.

(2) The policies referred to under sub-regulation (1) shall at minimum include-

- (a) delegation of responsibility for management of overall liquidity of the microfinance bank 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 to conduct maturity mismatch analysis consistent with principles set forth in the Risk Management Guidelines for Banks and Financial Institutions issued by the Bank;
- (d) analysis of net funding requirements under

GN. No. 298

- alternative scenarios; and
- (e) contingent liquidity planning.

Contingency plans

45-(1) A microfinance bank shall submit to the Bank a copy of the contingency plan for dealing with liquidity stress scenarios approved by its board of directors.

(2) The contingency plan referred to under sub-regulation (1) shall, at minimum , include-

- (a) identification of a crisis management team and provision to notify the Bank promptly of emerging liquidity problems;
- (b) procedures to ensure that all necessary information is available to enable senior management to make quick decisions including mechanisms to facilitate constant monitoring and reporting of signals;
- (c) procedures for funding cash flow shortfalls in crisis situations, including expected sources of funds, an assessment of the cost of alternative funding strategies and the impact on the capital of the bank and
- (d) communication strategies to deal with staff, customers and the public, including the media.

Minimum Liquid Assets Ratio

46. A microfinance bank shall maintain minimum liquid assets amounting to not less than twenty percent of its demand liabilities.

Liquidity reporting

47. A microfinance bank shall submit to the Bank liquidity reports in the format and frequency prescribed by the Bank.

Maturity profile

48. A microfinance bank shall prepare a maturity profile of its assets and liabilities in the format and frequency prescribed by the Bank.

PART VI

MANAGEMENT OF RISK ASSETS

Risk
management
policies

49.-(1) The board of directors of an institution engaged in microfinance activities shall develop appropriate policies on risk management and be fully responsible and accountable for the execution of such policies.

(2) The policies under sub-regulation (1) shall at least include a credit policy establishing a framework for making credit and investment decisions consistent with principles set forth in the Risk Management Guidelines for Banks and Financial Institutions, including-

- (a) a system for measuring and monitoring credit risk;
- (b) internal risk rating system;
- (c) provisioning standards;
- (d) procedures for identifying risk concentration;
- (e) internal limits on risk concentration including corresponding controls and approval procedures in conformity with legal and supervisory limits;
- (f) periodic review of the effectiveness of monitoring and reporting systems for risk concentration; and
- (g) maximum amounts that can be approved at every level of discretion, as well as the documentary and procedural requirements and the internal controls to be maintained.

(3) The Board of Directors of an institution engaged in microfinance activities shall review the credit policy on annual basis or more frequently as may be necessary to ensure that they remain appropriate and prudent.

(4) The policy referred to under sub-regulation (3) shall be submitted to the Bank not later than thirty days after being approved by the Board, provided that where any changes are made to the policy, the institution engaged in microfinance activities shall clearly indicate areas of such changes.

Unregistered

50. An institution engaged in microfinance

GN. No. 298

collateral activities may extend credit accommodations secured against un registered collateral or non-traditional security or collateral substitute, such as personal guarantees, contractual pledging of home or business assets, compulsory savings or group guarantees where members jointly guarantee each other's loans.

Restructuring of microfinance loans

51-(1). An institution engaged in microfinance activities shall put in place clear and comprehensive policies specifically addressing circumstances and conditions under which microfinance loans may be restructured.

(2) The restructured non performing microfinance loan shall not be upgraded into better classification unless new repayment schedule has been fully complied with and the borrower has paid at least four installments consecutively.

(3) Restructured microfinance loans shall be classified as substandard and be reclassified as loss upon being restructured for a second time.

Review and classification

52.-(1) An institution engaged in microfinance activities shall review and classify its outstanding microfinance loans and other risk assets including contingent accounts or off balance sheet items at least once in every quarter.

(2) An institution engaged in microfinance activities shall, at every quarterly review, charge off all microfinance loans and other risk assets that have remained in the loss category for four consecutive quarters.

Past due loans

53.-(1) A microfinance loan with specific repayment date shall be considered as past due in its entirety if any of its contractual obligation for payment has become due and unpaid.

(2) Microfinance loans which are payable in installments are considered past due in their entirety if any of the installments has become due and unpaid for one day or more.

(3) A group loan shall be accounted as past due in

GN. No. 298

its entirety, when any of the members of the group defaults and the amount due is not covered by the members of the group.

Classification of microfinance loans

54. A microfinance loan shall be classified into the following categories-
Current;
Especially Mentioned;
Substandard;
Doubtful; and
Loss

Classification by quantitative criteria

55. A microfinance loan shall, by quantitative criteria, be classified as follows-

Number of days past due	Classification
0 to 5 days	Current
6 to 30 days	Especially Mentioned
31 to 60 days	Substandard
61 to 90 days	Doubtful
More than 90 days	Loss

Classification and security consideration

56. The criteria for classifying credit accommodations shall apply regardless of the type of security held.

Credit accommodations secured by cash or near cash items

57. Credit accommodations which are fully secured, in respect of principal and interest, by cash or treasury bills, notes or bonds, or other instruments as the Bank may approve, shall be classified on the same basis as other credit accommodations, provided that provision against such accommodations may be required where the security is the object of an adverse claim.

Classification of

58.-(1) All receivables, except accrued interest

GN. No. 298

other
receivables

receivable, shall be classified as follows-

Number of days past due	Classification
31-60	Especially Mentioned
61-90	Substandard
91-120	Doubtful
121 or more	Loss

(2) Sundry debts and other accounts receivable arising from loans shall have the same classification as their respective loan accounts.

(3) Inter-office or inter-branch items, suspense accounts, frauds, shortages, uncleared effects, miscellaneous intangible assets and other assets not specially treated in these Regulations, shall be classified as in sub-regulation(1).

Classification
of off balance
sheet
exposures

59.-(1) An institution engaged in microfinance activities shall, in undertaking review and appraisal of its off balance sheet commitments such as guarantees, indemnities, performance bonds, commercial letters of credit, deferred letters of credit, and other contingent items, observe the same procedure and regulations prescribed for loans.

(2) The off balance sheet items under sub-regulations (1) shall be grouped into current, especially mentioned, substandard, doubtful or loss categories.

Provisioning
under
International
Financial
Reporting
Standards

60.-(1) Notwithstanding the requirements of International Financial Reporting Standards, an institution engaged in microfinance activities 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 reserve to eliminate the shortfall.

GN. No. 298

Specific provisions

61. The minimum amount of specific provisions for credit accommodations shall be based on the following schedule-

Classification	Provision
Current	One percent
Especially Mentioned	Five percent
Substandard	Twenty five percent
Doubtful	Fifty percent
Loss	One hundred percent

Additional provisions

62.-(1) The Bank shall periodically review the amount of allowance for probable losses.

(2) The Bank may prescribe additional provisions for loan losses in excess of the minimum provisions specified under regulation 61 for the purpose of mitigating any additional risk represented by weak or inadequate internal controls or internal audit.

(3) Notwithstanding the provisions of sub-regulations (2), the Bank, the internal auditor or the external auditor shall establish additional provisions to cover risks arising from-

- (a) non-adherence to lending policies or procedures regarding loan amounts or conditions, levels of discretion in the approval of loans, separation of duties, loan documentation or administration, for up to five percent of the total portfolio;
- (b) lack of observance by loan officers, other personnel or senior officers, of sound lending practices or of lending policies or procedures established by the Board of Directors, for an amount of up to one percent of the total portfolio for every ten percent of transgressions detected in a statistically representative sample; and
- (c) significant deterioration of the payment performance of the clients with respect to other

providers of credit.

(4) Additional provisions referred to in sub-regulation (3), shall be booked within ninety days, unless satisfactory evidence is presented to the Bank, internal or external auditor, to the effect that the situation has been overcome or placed under control.

Impairment for other assets

63. A microfinance bank shall, in accordance with International Financial Reporting Standards, value all types of assets not specifically mentioned in these Regulations and establish the necessary impairment in value.

Suspension of interest on non-performing credit accommodations

64.-(1) An institution engaged in microfinance activities shall place on a non-accrual basis all credit accommodations which are classified as substandard, doubtful or loss.

(2) Any accrued but uncollected interest on credit accommodations placed on non-accrual basis shall be reversed and placed in suspense.

(3) A credit accommodation placed on a non-accrual basis may be restored to an accrual basis provided the borrower has regularized the credit accommodation by timely paying at least four consecutive installments.

Annual provision approval by the Bank

65.-(1) An institution engaged in microfinance activities shall seek prior approval of the Bank of its proposed annual provisions for probable losses before finalization of the annual accounts.

(2) An institution engaged in microfinance activities shall submit to the Bank its draft balance sheet, profit and loss account, including a detailed account of the provisions made when seeking approval under sub-regulation (1).

Fair lending practices

66. The contract between an institution engaged in microfinance activities and the borrower, shall state the interest rate, commissions and fees, either on an annual or a monthly basis.

PART VII
GENERAL PROVISIONS

Submission of
monthly report

67. An institution engaged in microfinance activities shall, not later than the 15th day following the end of the reporting quarter, submit to the Bank quarterly reports on classification and provisioning of credit accommodations and other risk assets including contingent accounts.

Reporting
requirements

68. An institution engaged in microfinance activities shall submit returns and reports to the Bank in the format and frequency prescribed by the Bank.

Compliance
with other
Regulations

69. The provisions of-

- (a) the Banking and Financial Institutions (Disclosure) Regulations, 2014;
- (b) the Banking and Financial Institutions (External Auditors) Regulations, 2014;
- (c) the Banking and Financial Institutions (Foreign Exchange Exposure Limits) Regulations, 2014;
- (d) the Banking and Financial Institutions (Prompt Corrective Action) Regulations, 2014;
- (e) the Banking and Financial Institutions (Internal Control and Internal Audit) Regulations, 2014; and
- (f) the Banking and Financial Institutions (Physical Security Measures) Regulations, 2014;

shall apply to a microfinance bank.

Sanctions

70.-(1) Without prejudice to penalties and actions prescribed by law, the Bank may impose on any institution engaged in microfinance activities any of the following sanctions for non-compliance-

- (a) a penalty of the amount to be determined by the Bank;

GN. No. 298

- (b) prohibition from declaring or paying dividends;
- (c) suspension of the activity to open or establish new branches;
- (d) suspension of access to credit facilities of the Bank;
- (e) suspension of lending and investment operations/activities;
- (f) suspension of capital expenditure;
- (g) suspension of the privilege to accept new deposits;
- (h) revocation of license;
- (i) suspension from office of the defaulting director, officer or employee; and
- (j) disqualification from holding any position or office in any bank or financial institution under the supervision of the Bank.

(2) The penalty referred to in paragraph (a) of sub-regulation (1) shall apply to directors, officers or employees of the institution engaged in microfinance activities.

Revocation GN
No. 79 of 2005

71. The Banking and Financial Institutions (Microfinance Companies and Microcredit Activities) Regulations, 2005 are hereby revoked.

—
FIRST SCHEDULE
—

(Made under Regulation 12)
—

**CRITERIA FOR DETERMINING THE CHARACTER AND EXPERIENCE REQUIRED FOR A
MEMBER OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT OF A
MICROFINANCE BANK**

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-
 - (a) adequate education background;
 - (b) general character;
 - (c) professional skills, competence and soundness of judgment for the fulfilment of the responsibilities of the office in question; and
 - (d) 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 an 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.

GN. No. 298

SECOND SCHEDULE

(Made under Regulation 5)

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

Re: Application for a Licence to carry out banking business

Sir,

We, the undersigned, hereby apply for a licence to establish a microfinance bank in Tanzania to be known as _____ with principal place of business at _____

The proposed bank shall have an authorized share capital of _____ shillings and paid up capital of _____ 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				

GN. No. 298

We jointly and severally make a firm commitment to deposit a total amount of paid up capital for the proposed bank with any bank or financial institution 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 and the Bank, we have authorized of the following address:

- (1) P.O Box
- (2) Telephone number.....
- (3) Email address.....
- (4) Fax number

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 Tanzanian Shillings ten million being payment of our application fee.

Yours faithfully,

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

—
THIRD SCHEDULE
—

(Made under Regulation 5)
—

Checklist of Documents

1. Letter of application in the prescribed form.
2. Authenticated legal documents or board resolution authorizing the signatory.
3. Banker's cheque or any other document acceptable to the Bank evidencing payment of a non-refundable application fee of ten million shillings or any other amount as may be determined by the Bank.
4. Proposed Memorandum and Articles of Association (unregistered).
5. Proof of source and availability of funds for investment as capital of the proposed institution.
6. List of subscribers and proposed members of board of directors and Chief Executive Officer.
7. Proof of citizenship of every subscriber and every proposed directors and senior management officers. This includes detailed curriculum vitae, photocopy of the pages of the passport which contain personal information and two recent passport size photographs.
8. Audited balance sheet, income statement and cash flow for the last three years, of every subscriber who owns five per cent or more of the share capital of the proposed institution engaged in business.
9. Credit reference reports for every significant subscriber and every proposed director and senior management officer.
10. Certified copies of annual returns of every subscriber who owns five per cent or more of the share capital of the proposed institution 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 subscriber who owns five per cent or more of the share capital of the proposed institution 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 institution and the proposed directors and senior management.

GN. No. 298

13. Home Country Regulator Certification if the applicant is a foreign bank or financial institution.
14. Declaration that the funds to be invested have not been obtained criminally or associated with any criminal activity.
15. Business plan for the first four years of operations including strategies for growth, dividend payout policy, career development programme for the staff and budget for the first year.
16. Explicit strategies for outreach through use of branches, agents, mobile banking and other appropriate channels indicating numbers and locations for the first four years.
17. Projected balance sheets, income statements and cash flow statements for the first four years of operation.
18. Brief description of economic benefits to be derived by Tanzania and the community from the proposed microfinance bank.

—————
FOURTH SCHEDULE
—————

(Made under Regulation 17)
—————

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 microfinance bank. 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 microfinance bank. Proposal should reflect the realities of the market place.
3. A business plan should contain sufficient information to demonstrate that the proposed microfinance bank 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.

GN. No. 298

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 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 Banking and Financial Institutions (Capital Adequacy) Regulations 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.
15. 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.

GN. No. 298

16. 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.
17. Promoters are required to disclose how the proposed microfinance bank 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

18. Promoters must prepare projected balance sheets, income statements and cash flow statements. 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.
19. 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.

GN. No. 298

PROJECTED BALANCE SHEET
[In'000 Tanzanian Shillings]

PARTICULARS	Year 1	Year 2	Year 3	Year 4
Assets				
Cash				
Balances with Bank of Tanzania				
Balances with other bank or financial institutions				
- 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]				
Bank Premises, Furniture and Equipment				
- use separate schedule]				
Other Assets (Use separate schedule]				
TOTAL ASSETS				
Liabilities				
Deposit liabilities other than banks				
- current accounts				
- savings deposits				
- time deposits				
Deposits from other bank or financial institutions				
- in Tanzania				
- abroad				
- other deposits (use separate schedule]				
Total deposits				
Other liabilities (use separate schedule]				
Capital				
- paid-up capital				
- Ordinary				
- preference				
reserves				

The Banking and Financial Institutions (Microfinance Activities)

GN. No. 298

PARTICULARS	Year 1	Year 2	Year 3	Year 4
- share premium (discount] -retained earnings -capital reserves - others (specify]				
Total Equity				
TOTAL LIABILITES AND CAPITAL				
Off-balance sheet commitments				

GN. No. 298

PROJECTED INCOME STATEMENTS
[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				

GN. No. 298

PROJECTED CASH FLOW STATEMENTS
[In'000 Tanzanian Shillings]

PRACTICE	Year 1	Year 2	Year 3	Year 4
Part I				
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]				
-				

The Banking and Financial Institutions (Microfinance Activities)

GN. No. 298

PRACTICE	Year 1	Year 2	Year 3	Year 4
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				

FIFTH SCHEDULE

(Made under Regulation 12)

Questionnaire for Directors and Senior Managers of Microfinance Bank

Part I: Instructions for Filling the Questionnaire

- i. This Questionnaire should be filled in duplicate by each director and senior manager of a microfinance bank.
- ii. This form is to be completed in English. Any documents required are to have a certified English translation appended.
- iii. Answers to ALL questions should be TYPED or written in INK and in BLOCK LETTERS.
- iv. No question should be left unanswered. Where the Applicant believes that a question does not apply, the Applicant should write “**Not Applicable**” or “**N/A**”.
- v. If there is insufficient space to answer a question, additional information may be provided on an attachment page and identify the continuation of an answer by stating the question number.
- vi. All dates should be completed in the form: Day / Month / Year
- vii. All amounts are to be recorded in Tanzanian Shilling (TZS). Conversion from foreign currency should be made using the current exchange rate.
- viii. Please ensure that all answers and information are true and correct. Failure to do so constitutes a criminal offence and can lead the Bank to reject an application or disqualify a director or senior manager who has been cleared on the basis of untrue or incorrect information.
- ix. 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) certified copies of academic and professional certificates;
 - (b) photocopy of the Tanzania national identity card or pages of the passport which contain personal information including photograph, nationality, date and place of birth and issuer of the passport;
 - (c) two certified passport size photographs; and
 - (d) references from two persons who are not relatives, vouching for good moral character, integrity and performance.

GN. No. 298

x. The completed application form and any supporting material, should be submitted to the office of:

Director of Banking Supervision
Bank of Tanzania
P.O.Box 2939
Dar-es-Salaam

NOTE: Failure to disclose and submit all necessary information may lead to the Bank of Tanzania rejecting the application

GN. No. 298

Affix passport size
photographs
(2 Copies)

Part II: Personal Particulars

1. Name of the microfinance bank in connection with the application	
2. Surname	
3. First Name(s)	
4. Middle Name	
5. Have you been known by any previous name(s)?	
6. Are there any names by which you are also known as?	
7. Date of Birth	
8. Place of Birth	
9. Position to be held in the microfinance bank.	
10. For Chairman and Non-Executive Directors only:	
(a) How much time do you give, or (if a new appointment) do you anticipate giving in every month, to the business of the microfinance bank?	
(b) What particular contribution do you consider that you bring, or (if new appointment) you will bring, to the work of the license holder?	

GN. No. 298

<p>11. National Identity Number and/or National Insurance number and/or Social Security number. Please tick and provide identification number below. Attach a certified copy of the social security identity card and or national insurance identity card appropriately.</p>	<p>National Identity Number <input type="checkbox"/></p>	<p>National Insurance Number <input type="checkbox"/></p>	<p>Social Security Number <input type="checkbox"/></p>
<p>12. Nationality (ies): Please state how nationality (ies) was acquired, e.g. by birth, naturalisation or marriage. If acquired by naturalisation or marriage, indicate previous nationality.</p>	<p>Birth <input type="checkbox"/></p>	<p>Naturalization <input type="checkbox"/></p>	<p>Marriage <input type="checkbox"/></p>
<p>13. Please attach a certified copy of the Tanzania national identity card. Or pages of your passport(s) which contain personal information including photograph, nationality, date and place of birth and issuer of the passport;</p>			

14. List below your official and residential addresses. If you have had any other addresses during the last 5 years, indicate them as well as relevant dates.

Dates	Residential Address	Official Address
	<p>Block/Plot number..... Street..... Postal Address..... District/Town..... City..... Country.....</p>	<p>Name of the Organization..... Block/Plot number..... Street..... Postal Address..... District/Town..... City..... Country.....</p>
	<p>Block/Plot number..... Street..... Postal Address..... District/Town..... City..... Country.....</p>	<p>Name of the Organization..... Block/Plot number..... Street..... Postal Address..... District/Town..... City..... Country.....</p>

GN. No. 298

	Block/Plot number..... Street..... Postal Address..... District/Town..... City..... Country.....	Name of the Organization..... Block/Plot number..... Street..... Postal Address..... District/Town..... ... City..... Country.....
--	---	---

Part III: Academic Qualifications

15.Details of academic qualifications and the year in which they were obtained. (E.g. Certificate, Diploma, Degree, Master’s Degree,, etc....). Please provide certified true copies of certificates in relation to the qualifications obtained.		
Qualification	Educational Establishment / Awarding Body	Year Obtained

Part IV: Professional Qualifications

16.Details of any professional qualifications and the year in which they were obtained (E.g. ACA, ACCA, ACIB etc...). Please provide certified true copies of certificates in relation to the qualifications obtained.		
Membership No.	Professional Qualification	Year Obtained

GN. No. 298

Part V: Professional Membership

17.Details of current membership of any relevant professional bodies, their contact details and year of admission (e.g. Institute of Directors, Institute of Management, etc...)				
Membership No	Professional Body's Name and Contact Details	Levels of Memberships (e.g. Associate, Fellow, Member)	Year Admitted	Status of membership (e.g. active or inactive)

Part VI: Employment History

18.Beginning with your present occupation or employment, please list all occupations and employment. If self-employed please indicate "SELF EMPLOYED" (NB: The Bank may seek references from previous employers.)				
Name / Address of employer	Nature of Business	Position Held	Relevant Dates	Percentage of ownership (For self-employed only)
Name of the Organization..... Block/Plot number..... Street..... Postal Address..... District/Town..... City..... Country.....				

GN. No. 298

Name of the Organization..... Block/Plot number..... Street..... Postal Address..... District/Town..... City..... Country.....				
Name of the Organization..... Block/Plot number..... Street..... Postal Address..... District/Town..... City..... Country.....				

Part VII: Directorships

19. Beginning with your present directorship, please list all directorships				
Company Name	Company's nature of business	Incorporation Number	Country of Registration	Relevant Date

GN. No. 298

20. Have you ever been involved in any litigation?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
If yes, provide details including any judgment;	

If any of the answers to questions 21 to 32 are “Yes”, please give full particulars on a separate sheet of paper clearly stating the number of the question to which the details relate. Please note that no time restrictions apply to the matters you are asked to disclose. Any convictions and other facts must be stated.

21. Have you or any other body corporate, partnership or unincorporated institution to which you are, or have been associated with as a director, senior manager, or officer ever applied for banking business to any jurisdiction for a license or other authority to carry on banking business or other related business (e.g. insurance, mortgage finance, lease finance, development finance, etc.) , regardless of whether the application was successful.	Yes <input type="checkbox"/> No <input type="checkbox"/>
22. Have you or at any time been convicted of any criminal offence? If so, give full details of court by which you were convicted, the offence and the penalty imposed and the date of conviction.	Yes <input type="checkbox"/> No <input type="checkbox"/>
23. Have you or any body corporate, partnership or unincorporated institution to which you are, or have been associated with as a director, senior manager, or officer been subject of an investigation by a government, professional or other regulatory body?	Yes <input type="checkbox"/> No <input type="checkbox"/>
24. Have you ever been subject of a disciplinary enquiry?	Yes <input type="checkbox"/> No <input type="checkbox"/>
25. Have you ever been suspended from any office or asked to resign?	Yes <input type="checkbox"/> No <input type="checkbox"/>
26. Have you been dismissed from any office of employment or barred from entry to any profession or occupation?	Yes <input type="checkbox"/> No <input type="checkbox"/>
27. Have you ever been disqualified from acting as a director of a company, or from acting in the management or conduct of the affairs of the company, partnership or unincorporated company?	Yes <input type="checkbox"/> No <input type="checkbox"/>
28. Have you ever been adjudged bankrupt by a court, or entered into any compromise with creditors, or are you currently the subject of bankruptcy proceedings? Are you aware of any such proceedings pending?	Yes <input type="checkbox"/> No <input type="checkbox"/>
29. Have you ever failed to honor any credit obligation as borrower of any bank or financial institution or other money lending institution?	Yes <input type="checkbox"/> No <input type="checkbox"/>

GN. No. 298

30. Have you failed to satisfy any debt adjudged due and payable by you as a judgment-debtor under an order of a court?	Yes <input type="checkbox"/> No <input type="checkbox"/>
31. Have you in connection with the formation or management of any body corporate, partnership or unincorporated institution been adjudged by a court civilly liable for any fraud misfeasance or other misconduct by you towards such a body or company or towards any members thereof?	Yes <input type="checkbox"/> No <input type="checkbox"/>
32. Has any body corporate, partnership or unincorporated institution with which you were associated as a director, senior manager or officer been compulsory wound up or made any compromise or arrangement with creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims.	Yes <input type="checkbox"/> No <input type="checkbox"/>
33. In carrying out your duties, will you be acting on the directions or instruction of any other person?	Yes <input type="checkbox"/> No <input type="checkbox"/>

Part VIII: Referees

34. State the name, address and occupation of two persons who are not relatives, vouching for your good moral character, integrity and performance of whom the Bank may enquire regarding their character and reputation.

GN. No. 298

DECLARATION BY THE APPLICANT

I, hereby declare the following:

This questionnaire consists of..... pages, each signed by me.

The content of this declaration is true to the best of my knowledge and belief. I am aware that should any information submitted herein be false, I may be liable to prosecution. I undertake, that for as long as I continue to be a director or executive officer of the institution, I will notify the Bank of any material changes to, or affecting the completeness or accuracy of, the information supplied by me as soon as possible, but in any event not later than 21 days from the day that the changes come to my attention. I know and understand the content of this declaration. I have/do not have* objections to taking the prescribed oath. I consider the prescribed oath to be binding /not binding* on my conscience.

SIGNATURE OF APPLICANT

I certify that the above statement was taken by me and that the deponent has acknowledged that he*/she knows and understands the content of this statement. This statement was sworn to*/affirmed before me and the deponent's signature was placed thereon in my presence aton thisday of two thousand and

COMMISSIONER OF OATHS

FULL NAMES: _____

ADDRESS: _____

** Delete whichever is not applicable*

Checklist

Below is a checklist that has been designed to assist applicants to ensure that all of the information required by the Bank has been submitted.

Has the Personal Questionnaire form been filled out in full?	<input type="checkbox"/>
Certified copy of pages of passport which contain personal information including photograph, nationality, date and place of birth and issuer of the passport or Tanzania national identity card.	<input type="checkbox"/>
Certified copy of the social security identity card and or national insurance identity card	<input type="checkbox"/>
Copies of stated academic qualifications	<input type="checkbox"/>
Copies of stated professional qualifications	<input type="checkbox"/>
Copies of stated membership to professional bodies	<input type="checkbox"/>
Past Employment references	<input type="checkbox"/>
List of Directorships (if applicable)	<input type="checkbox"/>

SIXTH SCHEDULE

(Made under Regulation 17)

KEY POLICIES

The key policies referred to under regulation 17 of these Regulations include-

S/No.	Type of Policy
1	Risk Management Policy
2	Credit Risk Management Policy
3	Liquidity Risk Management Policy
4	Market Risk Management Policy
5	Operational Risk Management Policy
6	Strategic Risk Management Policy
7	Compliance Risk Management Policy
8	Human Resource Management Policy
9	Accounting Policy (Including Fixed Assets Policy)
10	Audit Policy (Including Internal And External Audits)
11	Asset/Liability Management Policy (Including Investment Policy)
12	Information And Communication Technology Policy
13	Business Continuity Management Policy
14	Anti-Money Laundering (AML) And Combating Financing of Terrorism (CFT) Policy
15	Physical Security Policy
16	Outsourcing Policy

Dar Es Salaam,
....., 2014

BENNO J. NDULU,
Governor