

Tanzania

Banking and Financial Institutions Act

## Credit Concentration and Other Exposure Limits Regulations, 2001 Government Notice 36 of 2001

Legislation as at 31 July 2002

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Credit Concentration and Other Exposure Limits Regulations, 2001 (Government Notice 36 of 2001)  
 Contents

- Part I – Preliminary provisions (regs 1-3) ..... 1
  - 1. Short title ..... 1
  - 2. Application ..... 1
  - 3. Interpretation ..... 1
- Part II – Statement of policy (regs 4-7) ..... 5
  - 4. Objectives ..... 5
  - 5. Rationale for diversifying risks ..... 5
  - 6. Arm's length relationship on insider dealings ..... 5
  - 7. Policy on Concentration Risk Exposures ..... 5
- Part III – Rules on concentration of credit (regs 8-25) ..... 6
  - 8. Single borrower's limit ..... 6
  - 9. Exemption from single borrower's limit ..... 6
  - 10. Aggregation of credits to parent companies subsidiaries and associate companies partner and partnerships ..... 6
  - 11. Aggregation of credits to persons with related interests ..... 6
  - 12. Aggregate credit limit ..... 6
  - 13. Syndication ..... 7
  - 14. Insider dealing ..... 7
  - 15. Credits to directors and shareholders ..... 7
  - 16. Aggregate credit limit of directors and shareholders ..... 7
  - 17. Aggregate credit limit covers former directors and shareholders ..... 7
  - 18. Credit limit of officers and employees ..... 7
  - 19. Computation of annual remuneration ..... 8
  - 20. Aggregate credit limit of officers ..... 8
  - 21. Exemption of subsidiaries of foreign banks and financial institutions ..... 8
  - 22. Penalty for violation of the credit limits ..... 8
  - 23. Board of directors responsible for compliance ..... 8
  - 24. Board of directors to prescribe credit limit of specific industries ..... 8
  - 25. The Bank to be notified on the adoption of industry credit limits ..... 8
- Part IV – Rules on equity investments (regs 26-32) ..... 9
  - 26. Limits on investments in allied undertakings ..... 9
  - 27. Increased investment privileges ..... 9
  - 28. Combined equity investment and credit limits ..... 9
  - 29. Prohibited banks and financial institutions ..... 9

30. Equity investment to obtain prior approval of the Bank .....	9
31. Underwriting commitments exempted from prescribed ceilings .....	10
32. Approval on equity investment .....	10
Part V – Limits on underwriting commitments (regs 33-34) .....	10
33. Limit on the underwriting business of a bank .....	10
34. Limit on the underwriting business of a financial institution .....	10
Part VI – Limits on investments in fixed assets (regs 35-36) .....	10
35. Investment in immovable property .....	10
36. Investment in movable property .....	11
Part VII – Sanctions (reg 37) .....	11
37. Sanctions .....	11
Part VIII – Repeal (reg 38) .....	12
38. Repeal .....	12

# Tanzania

## Banking and Financial Institutions Act

# Credit Concentration and Other Exposure Limits Regulations, 2001 Government Notice 36 of 2001

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*[Note: This legislation has been thoroughly revised and consolidated under the supervision of the Attorney General's Office, in compliance with the Laws Revision Act No. 7 of 1994, the Revised Laws and Annual Revision Act (Chapter 356 (R.L.)), and the Interpretation of Laws and General Clauses Act No. 30 of 1972. This version is up-to-date as at 31st July 2002.]*

*[Section 51(1); G.N. No. 36 of 2001]*

## Part I – Preliminary provisions (regs 1-3)

### 1. Short title

These Regulations may be cited as the Credit Concentration and Other Exposure Limits Regulations.

### 2. Application

These Regulations shall apply to all banks and financial institutions.

### 3. Interpretation

In these Regulations, unless the context requires otherwise—

"**the Act**" means the Banking and Financial Institutions Act <sup>1</sup>;

"**adjusted net asset value**" refers to the value of a business as determined by deducting its liabilities from the current market or useful value of its tangible and intangible assets disclosed in its books plus or minus any adjustment arising from the calculation of present value of expected earnings of the existing net assets of the enterprises;

"**allied undertakings**" include banks, financial institutions, non deposit-taking financial institutions, insurance companies, *bureaux de change*, credit card companies, clearing houses, and such other activities as may be specified by the Bank to be allied or related to the business of banking;

"**associate companies**" means two or more companies linked directly or indirectly to each other through any of the following means:

- (a) Ownership, control or power to vote, of ten percent (10%) or more of the issued and outstanding voting shares of any of the companies;
- (b) Interlocking directorship or officership;

- (c) Common shareholders owning ten percent (10%) or more of the issued and outstanding voting shares of the companies;
- (d) Management contract or any arrangement granting power to a company to direct or cause the direction of the management and policies of another company; and
- (e) Permanent proxy or voting trust in favour of a company involving ten percent (10%) or more of the issued and outstanding voting shares of another company;

"**the Bank**" means the Bank of Tanzania;

"**bank**" has the same meaning given to that expression in the Act;

"**banking business**" has the same meaning assigned to that expression in the Act;

"**collateral**" may be used interchangeably with the term "security" to mean the asset, right, or interest pledged, assigned, mortgaged or in any manner hypothecated to secure the repayment of an obligation;

"**conflict of interest**" means a situation or circumstance whereby a member of staff or board member who is in a position where privileged information obtained in line of his duty could be used to further personal or other business interest against loyalty to the institution;

"**core capital**" may be used interchangeably with "tier I capital" to mean permanent shareholders' equity in the form of issued and fully paid-in shares of common stock, non redeemable and non cumulative preferred stock, capital grants plus all disclosed reserves, less goodwill or any other intangible assets;

"**credit accommodation**" may be used interchangeably with the term "credit facility" to include loans, advance, overdrafts, lease financing, acceptance, guarantees, letters of credit, performance bonds, foreign exchange contracts, and any other form of direct or indirect, financial obligation to a bank or financial institution;

"**credit risk**" means the risk arising from the non payment of either principal or interest of a loan or other credit accommodations on a timely basis, failure of the customer or a reason to honour his commitment under a credit, guarantee or suretyship agreement, or the risk of default by a party to a foreign exchange contract;

"**direct credit accommodation**" means credit facility in which the borrower or obligor is a party on his own behalf, or as the representative or agent of others, or as a co-signer, mortgagor, guarantor, endorser or surety;

"**director**" means any fit and proper person by whatever title or designation known carrying out or empowered to carry out functions in relation to the direction of a bank or financial institution which are substantially the same as those carried out by a member of the board of directors of a company incorporated under the Companies Ordinance;

"**Disclosed reserves**" includes all reserves created or increased through share premium retained earnings (after deducting all expenses, provisions, taxation, and dividends), and general reserves, if such disclosed reserves are permanent and unencumbered and thus able to absorb losses;

"**financial institution**" has the same meaning given to that expression in the Act;

"**financial intermediation**" has the same meaning given to that expression 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 prescribed in criteria set out in Schedule 1 to the Banking and Financial Institutions Regulations, 1997;

"**firm underwriting commitment**" in respect to underwriting of securities means a firm guarantee or commitment made by a person or entity to an issuer or holder of securities to raise funds for said issuer or holder, by the distribution of such securities for sale, resale, or subscription, either through an outright purchase or through a commitment to purchase the balance not subscribed or sold;

**"first class international bank"** means an international bank that has a minimum long-time rating by internationally recognised rating agencies of A or above;

**"general provision"** when used in relation to supplementary capital or provisioning for loan losses means the amount that is taken up as a charge against revenues or income without going through the process of reviewing the weaknesses of individual loan accounts. General provisions are credited to "Allowance for Probable Losses" and form part of supplementary capital that is available to absorb presently unidentified losses in the loan portfolio;

**"general reserves"** may be used interchangeably with "retained earnings" to mean the accumulated and undistributed profits which are free and not specifically earmarked or appropriated for any purposes;

**"goodwill"** means the excess of the price paid for the purchase of the entire or a majority interest in a business firm over its adjusted net asset value as determined by the independent auditor of a bank or financial institution and approved by the Bank;

**"indirect credit accommodation"** means a credit facility given by a bank or financial institution to a person's related interest;

**"in process of collection"** means that the collection of a debt is proceeding in due course in a timely manner through:

- (a) Legal action, including the enforcement of judgements against the borrowed; or
- (b) collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status through payment of principal and interest due;

**"intangible assets"** means capitalised organisation costs or pre-operating expenses, prepaid expenses and deferred charges, leasehold rights and such other assets as may be specified by the Bank;

**"investment bank"** means a financial institution, acting as underwriter or agent, that serves as an intermediary between an issuer of securities and the investing public. The institution, either as a manager or participating member of a banking syndicate, make an outright purchases of new securities from the issuer and distributes them to dealers and investors;

**"loans"** and "loans and advances" may be used interchangeably to include any loan, discount, advance, overdraft, lease financing, export bills purchased, other bills received or purchased, import bills, customer's liability on acceptances, drawings against uncleared effects, encashment of cheques drawn against other branches or officers where the drawer's current account has insufficient cleared and withdrawable balance or against other banks, or any other credit extended to a person by a bank financial institution, excluding the undrawn or unavailed balance of any line of credit;

**"near cash"** includes fixed deposits receipts or certificate, saving passbook and any other deposit blocked in an account with a bank other than the lending bank;

**"non-accruing loan"** means any loan where recognition of interest income has been placed on a cash basis for financial reporting purposes. Interest is no longer accrued in the books of the lending institution nor taken into income unless paid by the borrower in cash;

**"non-performing loan"** means any loan that is not generating income and such loan has been past due for more than ninety days, as determined in accordance with the criteria prescribed in the Management of Risk Assets Regulations, 2000;

**"off balance sheet risks"** means all items not shown on the balance sheet but which constitute credit risk. Such risks include guarantee, acceptances, performance bonds, letters of credit, and other off balance sheet items deemed to constitute credit risk by the Bank;

**"officers"** means the Chief Executive Officer or executive director of a bank or financial institution, officials of lower rank down to the assistant head of a department or branch or their equivalent, and all members of a permanent committee or body including the Regional Board whose duties include functions of management such as those ordinarily performed by regular officers, and all those whose duties as officer

are defined in the articles of association or who are generally known to be officers of the institution either through announcement, representation, publication, or communication made by the institution;

**"operating leases"** means a lease written for a shorter period than economic life of the leased asset, the maintenance costs are born by the lessor while the lessee pays rental charge. The lessor is expected to take back the asset and re-lease it to other users;

**"other risk assets"** means the total assets of a bank or financial institution minus its loans, cash gold, amounts due from Bank of Tanzania, Government securities, securities issued by the Bank of Tanzania, securities issued by other Government institutions which are unconditionally guaranteed by the Government as to repayment of principal and interest at maturity date, bank premises, furniture and equipment, and such other assets as may be declared by the Bank as non-risk;

**"parent company"** means a company which directly or indirectly owns, controls, or holds with power to vote, more than fifty percent (50%) of the issued and outstanding voting shares of another company;

**"related interest"** refers to a person's relative, or to a company, association, or entity of which such person or relative is a shareholder, director, partner, manager, agent or member, or to a person's co-owner in respect of a property or property right or interest, or such other circumstances as the Bank may specify;

**"relative"** refers to related individual who includes any member of a family and a person shall be deemed to be a member of the family if he is the parent, spouse, brother, sister, child, uncle, aunt, nephew, niece, step-father, step-mother, step-child, adopted child, of the individual concerned and in case of an adopted child, the adopter or adopters of that child;

**"revaluation reserves"** means the increment in the recorded or book value of an institution's own premises, fixed assets, or long-term equity investment arising from formal revaluation of such assets to reflect their current value, or an amount closer to their current value than historical cost;

**"shareholder"** refers to a person, company or entity which directly or indirectly owns, controls, or holds with power to vote, issued and outstanding voting shares of another company;

**"specific provisions"** when used in relation to provisioning for losses on loans or other assets means the amount that is taken up as a charge against revenues or income after reviewing the weaknesses of specific loan or assets following the procedures prescribed in the Management of Risk Assets Regulations, 2000;

**"subsidiary"** means a company whose more than fifty percent of its total issued and outstanding voting is directly or indirectly owned, controlled, or by another company called the parent company;

**"supplementary capital"** may be used interchangeably with "tier 2 capital" to mean general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialise, subordinated debts, cumulative and redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank;

**"total assets"** means the amount submitted under such heading in each monthly balance sheet submitted to the Bank and the amount submitted under such heading in the latest audited balance sheet as verified by an external auditor whose report on such bank or financial institution was satisfactory to the Bank;

**"total capital"** mean the sum of core capital and supplementary capital;

**"underwriting of securities"** refers to the act or process of guaranteeing the distribution and sale of securities issued by another person, including securities issued by the Government;

**"unsecured credit"** means advances or credit facilities granted without security, or in the case of any credit facility granted against security, any part of such advance or credit facility which at any given time exceeds the market value of the assets comprising the security given or which exceeds the valuation approved by the bank whenever the bank deems that no ascertainable market value exists for the said assets.

## Part II – Statement of policy (regs 4-7)

### 4. Objectives

The objectives of these Regulations are as follows—

- (a) to encourage risk diversification and curtail excessive concentration of risk exposure of any bank or financial institution to one customer or group of customers, industry, economic sector, or activity, thereby enhancing the stability of the financial system;
- (b) to promote arm's length relationship in dealings between the bank or financial institution and its directors, officers, staff, shareholders and their related interests;
- (c) To make credit available to a broader group of borrowers;
- (d) To regulate equity investments of banks and financial institutions and to avoid undue concentration of economic power; and
- (e) To regulate the amount of investments in fixed assets and prevent the use of depositors' money in acquiring such assets.

### 5. Rationale for diversifying risks

Experience has shown that excessive concentration of risks to a single customer or group of customers, geographic or economic sector, industry or activity, has been a major cause of bank losses. Apart from restricting profitability, such concentration of risk places undue constraints on the ability of banks and other financial institutions to provide credit to a wider segment of the economy. There is therefore a need to promote diversification of risks in order to ensure the soundness of banks and financial institutions.

### 6. Arm's length relationship on insider dealings

A banking institution is a repository of the people's trust. As such, its shareholders, directors, officers and staff are expected to conduct themselves with the highest degree of professionalism, devotion to duty and standard of morality. These qualities must be held high above the proprietary interests of such persons. Empirically, the absence of well-defined rules serves as a disincentive for maintaining an arm's length relationship in dealings between the bank or financial institution on one hand, and its shareholders, directors, officers and staff on the other. Accordingly, measures must be taken to minimise the incidence of technical misjudgment, mismanagement or deliberate fraud. These Regulations aim to fill such need.

### 7. Policy on Concentration Risk Exposures

In recognition of its obligations as the highest policy making body of the institution, the Board of Directors of every bank and financial institution shall prescribe in writing policies on risk exposures associated with asset concentrations. The policy will contain at minimum the following—

- (a) procedures for identifying risk exposures involved in business (including contingent and off balance sheet risks), and be able to measure, monitor and develop controls for such risk;
- (b) broad definition of risk covering all direct, indirect, contingent or potential risks or obligations;
- (c) internal limits on risk exposures including corresponding controls and approval procedures in conformity with legal and supervisory limits;
- (d) clear lines of reporting of risk exposure, compliance with internal and external exposures limits, and management's response to changes in risk exposures. The adequacy and effectiveness of reporting systems should be reviewed periodically or independently verified by competent external auditors and Bank examiners; and



- (e) prescribed formats that will assist the institution to maintain adequate records that identify risk exposures.

### Part III – Rules on concentration of credit (regs 8-25)

#### 8. Single borrower's limit

The total amount of credit accommodation which any bank or financial institution may grant, directly or indirectly, to any person or group of related borrowers shall not exceed the limits prescribed hereunder:

Collateral Position	Limit (as a Percentage of Core Capital)
(1) Secured by collateral the value of which is at least 125% of the Credit accommodation secured by it (Full secured)	25%
(2) Secured by collateral the value of which is less than 125% of the Credit accommodation secured by it (Partly secured)	10%
(3) Unsecured	5%

#### 9. Exemption from single borrower's limit

Upon prior written request by a bank or financial institution, the Bank may allow exemption from the limits prescribed in Regulation 8, if the credit accommodation is granted to, or guaranteed by the Government of the United Republic of Tanzania or is secured against cash, near cash items, or is guaranteed by a first class international bank or against securities issued by the Government or the Bank.

#### 10. Aggregation of credits to parent companies subsidiaries and associate companies partner and partnerships

Every bank or financial institution shall consider all credit accommodations to its parent company, subsidiaries and associate companies, partner and partnerships as credits granted to a single person.

#### 11. Aggregation of credits to persons with related interests

Where the Bank determines that the interests of a group of two or more persons are so interrelated that they should be considered as one borrower, then for the purposes of Regulation 8, the total credit accommodations to that group shall be combined and deemed to be in respect of a single person.

#### 12. Aggregate credit limit

In addition to the single borrower's limit prescribed in regulation 8 every bank and financial institution shall observe a quantitative limit on the aggregate amount of credit accommodations that may be granted to all borrowers whose credit accommodations, inclusive of interest due and unpaid, have reached the ceilings prescribed in the said regulation. Such aggregate credit limit shall be twenty-five percent of the outstanding credit accommodations to all customers, or hundred percent of the core capital of the lendings bank or financial institution, whichever is lower.

### **13. Syndication**

Banks and financial institutions may facilitate syndication when single borrower's credit accommodation requirements exceed single borrower's limits on individual bank or financial institution prescribed in these Regulations.

### **14. Insider dealing**

Dealings of a bank or financial institution with any of its directors, officers or shareholders and their related interests shall be in the regular course of business and upon terms not more favourable than those offered to others.

### **15. Credits to directors and shareholders**

No bank or financial institution shall grant, directly or indirectly, any credit accommodation to any of its directors alternate directors, shareholders, or their related interests unless—

- (a) such credit accommodation has been unanimously approved by all remaining 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; and
- (b) the Bank has been notified of such board approval not later than seven days prior to its implementation.

### **16. Aggregate credit limit of directors and shareholders**

The aggregate amount of credit accommodations inclusive of interest due and unpaid which any bank or financial institution may grant, directly or indirectly, to its directors, alternate directors, shareholders, or their related interests shall not exceed twenty five percent of its core capital.

### **17. Aggregate credit limit covers former directors and shareholders**

In computing the aggregate credit limit of directors and shareholders as prescribed under Regulation 15, all direct and indirect credit accommodations inclusive of interest due and unpaid, granted to directors, alternate directors, shareholders or their related interests shall be combined even if subsequent to the granting of the credit accommodation, the borrower ceases to be a director, alternate director or shareholder.

### **18. Credit limit of officers and employees**

Notwithstanding the single borrower's credit limit prescribed under regulation 8, banks and financial institutions shall observe the following regarding credit accommodations to their officers or employees.

- (a) no bank or financial institution shall grant salary advances to any of its officers and employees, which exceed the annual remuneration of the borrowing officer or employee;
- (b) loans and advances to officers and employees of banks or financial institutions intended as incentives such as house or car loan should be from a special fund created by appropriation of profits. Such loans and advance should be managed in accordance with a well-documented policy regarding administration of such fund; and
- (c) commercial loans and advances to officers and employees of banks or financial institutions should be in the regular course of business and upon terms not more favourable than those offered to others.

### **19. Computation of annual remuneration**

For purposes of regulation 18, the annual remuneration of an officer or employee shall refer to the basic salary plus cost of living allowance 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 bank or financial institution, but excluding such benefits the entitlement to which depends on a contingency such as medical and hospitalisation benefits, or allowances for attending seminars and board or committee meetings, or other non-cash benefits.

### **20. Aggregate credit limit of officers**

The aggregate amount of credit accommodation inclusive of interest due and unpaid which any bank or financial institution may grant, directly or indirectly to its officers or their related interests shall not exceed twenty-five percent of its core capital.

### **21. Exemption of subsidiaries of foreign banks and financial institutions**

A bank or financial institution which is a subsidiary of a foreign bank or financial institution may, with prior approval of the Bank, exclude from the aggregate and single borrower's credit limits prescribed in these Regulations any credit accommodation for which the parent company has provided the fund and has assumed the credit and foreign exchange risks without recourse to the subsidiary.

### **22. Penalty for violation of the credit limits**

Any director, officer or employee of a bank who recommends, sanctions, votes for or causes the approval of any loan or credit accommodation in violation of the credit limits prescribed in these Regulations may be suspended from office. If such director, officer or employee is directly or indirectly a party or beneficiary to the said credit facility, the director, officer or employee concerned shall be perpetually disqualified from holding any position or office in any bank or financial institution under the supervision of the Bank. The penalties prescribed in this regulation shall be without prejudice to any other punitive measures which may be applied against the defaulting director, officer or employee.

### **23. Board of directors responsible for compliance**

The board of directors of every bank and financial institution shall be primarily responsible for the compliance with the requirements of these Regulations including the enforcement of suspension or disqualification of any director, officer or employee as provided under regulation 22.

### **24. Board of directors to prescribe credit limit of specific industries**

Prior to commencement of operations, the board of directors of every bank and financial institution shall, provide a written policy prescribing the quantitative limits on the concentration of credit to specific industries and other activities not covered in these Regulations.

### **25. The Bank to be notified on the adoption of industry credit limits**

Every bank and financial institution shall notify the Bank on the adoption or revision of the credit concentration policy specified in regulation 24 within thirty days following its approval and shall make such written credit concentration policy available for inspection by the examiners of the Bank.

## Part IV – Rules on equity investments (regs 26-32)

### 26. Limits on investments in allied undertakings

Any bank or financial institution which has a core capital ranging from one billion Tanzanian Shillings (T. Shs. 1,000,000,000) to two billion Tanzanian Shillings (T. Shs. 2,000,000,000) may, with the prior approval of the Bank, invest in the equity of companies engaged in activities classified allied undertaking subject to the following limitations—

- (a) the aggregate equity investments in all companies shall not exceed 25% of the core capital of the investing bank or financial institution;
- (b) the equity investment in any single company shall not exceed 10% of the core capital of the investing bank or financial institution; and
- (c) the equity investment in any single company other than a *bureaux de change* and a credit card company shall not exceed 5% of the total subscribed share capital of the investee company.

### 27. Increased investment privileges

- (1) Any bank or financial institution which has a core capital between two billion Tanzanian Shillings (T. Shs. 2,000,000,000) and six billion Tanzanian Shillings (T. Shs. 6,000,000,000) may, with the prior approval of the Bank and subject to the same limitations prescribed in subregulation 26(1) and (2) *supra* acquire up to 100% of the total subscribed share capital of a company engaged in an allied undertaking.
- (2) The Bank may authorise any bank which has a core capital of not less than six billion Tanzanian Shillings (T. Shs 6,000,000,000) to:
  - (a) Acquire up to 100% of the equity of the company organised primarily for the purpose of underwriting debt or equity securities of other companies;
  - (b) invest in the equity of a company which is engaged in activities that are not allied or related to banking; provided that the equity investment of the bank does not exceed 5% of the total subscribed share capital of the invested company.
- (3) For a bank or financial institution to be able to deal in securities it must form a subsidiary.

### 28. Combined equity investment and credit limits

The total equity investments in and credit accommodations to any single company or enterprise shall not exceed 25% of the core capital of the investing bank or financial institution.

### 29. Prohibited banks and financial institutions

A bank which has a core capital of less than one billion Tanzanian Shillings (T. Shs. 1,000,000,000) or a financial institution which has a core capital of less than five hundred million Tanzanian Shillings (T. Shs. 500,000,000) shall not invest in the equity of other companies.

### 30. Equity investment to obtain prior approval of the Bank

The Bank shall consider on a case-by-case basis any proposed equity investment which is not specifically covered by any provision of these Regulations. In all cases, however, no bank or financial institution shall invest in the equity of another company without the prior written approval of the Bank.

### **31. Underwriting commitments exempted from prescribed ceilings**

The quantitative ceilings on equity investments under Regulations 26, 27 and 30 shall not apply to inventories of equity securities arising out of firm underwriting commitments of banks, investment banks or financial institutions which have been authorised by the Bank to engage in the business of underwriting debt and equity securities in conformity with the Banking and Financial Institutions Regulations, 1997.

### **32. Approval on equity investment**

The Bank will not approve equity investment unless the Managing Director or Chief Executive Officer of the said bank or financial institution certifies and proves that—

- (a) the investment will not be financed from funds obtained as deposits or borrowings from the public or the Bank;
- (b) the investment has been approved by the board of directors after satisfying itself that the profitability of the investee company can be sustained; and
- (c) the investee company is not suffering from any problem involving fraud or any serious weakness in management, accounting and internal control systems or other important internal procedures.

## **Part V – Limits on underwriting commitments (regs 33-34)**

### **33. Limit on the underwriting business of a bank**

A bank which is authorised by the Bank to engage in the business of underwriting debt or equity securities in accordance with the Banking and Financial Institutions Regulations, 1997 shall not undertake underwriting commitments for its own account in an aggregate amount exceeding one hundred percent of its core capital.

### **34. Limit on the underwriting business of a financial institution**

A financial institution which is licensed by the Bank to engage primarily in the business of investment banking or underwriting debt or equity securities shall not undertake underwriting commitments for its own account in an aggregate amount exceeding 800% of its core capital.

## **Part VI – Limits on investments in fixed assets (regs 35-36)**

### **35. Investment in immovable property**

Any bank or financial institution may purchase, acquire or lease immovable property only as may be necessary for its business as a bank or financial institution, including reasonable provision for anticipated future expansion and housing of its officers or employees:

Provided that—

- (a) the total investment of the bank or financial institution in such immovable properties, including leasehold rights and improvements, shall not exceed 50% of its core capital;
- (b) the limitations under this regulation shall not apply to the acquisition of any immovable property in settlement of a debt to the bank or financial institution which property, however, shall be sold not later than three years from acquisition date or within a period approved by the Bank or subject to extension by the Bank on submission of proof that sales effort has failed to liquidate the property;
- (c) the limitations under this regulation shall not apply to institutions carrying on the business of mortgage financing and property acquired for leasing activities; and

- (d) the Bank will not approve any additional investment in immovable property unless the Managing Director or Chief Executive Officer of the bank or financial institution certifies and proves that—
  - (i) the investment will not be financed from funds obtained as deposits or borrowings from the public or the Bank;
  - (ii) the project in which the property will be used has been thoroughly studied and found by the board of directors to be commercially viable; and
  - (iii) the investing bank or financial institution is not suffering from weak liquidity position as shown by its inability to honour its financial commitments to its depositors and creditors, including the Bank, or to maintain the required statutory minimum cash reserves, or from any serious weakness in management, accounting and internal control systems or other important internal control systems or other important internal procedures.

### **36. Investment in movable property**

Any bank or financial institution may purchase, acquire or lease equipment and other movable property as may be necessary for its business as a bank or financial institution:

Provided that—

- (a) the total investment of the bank or financial institution in such equipment and movable properties, including unamortised lease and capitalised expenses, does not exceed twenty percent (20%) of its core capital;
- (b) the limitations under this section shall not apply to the acquisition of any equipment or movable property in settlement of a debt to the bank or financial institution which equipment or property, however, shall be sold as soon as possible but not later than one year from acquisition date and property acquired and owned for leasing activities.

## **Part VII – Sanctions (reg 37)**

### **37. Sanctions**

Without prejudice to the other penalties and actions prescribed by law, and unless otherwise required in these Regulations, the deliberate violation of any of the provisions hereof will attract one or more of the following sanctions—

- (a) imposition of fines on the bank or financial institution or directors, officers and employees responsible for the violation in such amounts as may be determined by the Bank to be appropriate and reasonable;
- (b) prohibition from declaring or paying dividends;
- (c) suspension of the privilege to issue letters of credit or guarantee;
- (d) suspension of access to the credit facilities of the Bank;
- (e) suspension of lending and investment operations;
- (f) suspension of capital expenditures;
- (g) suspension of the privilege to accept new deposits;
- (h) revocation of banking licence;
- (i) suspension from office of the defaulting director, officer of employee; and
- (j) perpetual disqualification from holding any position or office in any bank or financial institution under the supervision of the bank.

## **Part VIII – Repeal (reg 38)**

### **38. Repeal**

*[Repeals the Guidelines on Concentration of Credit and Other Exposure Limits issued on December 22nd, 1991.]*