

THE UNITED REPUBLIC OF TANZANIA



No. 17 OF 1978

I ASSENT,

Julius K. Nyerere
.....
President

13TH SEPTEMBER, 1978

An Act to amend the Bank of Tanzania Act, 1965

[1ST JULY, 1978]

ENACTED by the Parliament of the United Republic of Tanzania.

1. This Act may be cited as the Bank of Tanzania (Amendment) Act, 1978, shall be read as one with the Bank of Tanzania Act, 1965 and shall be deemed to have come into operation on the first day of July, 1978.

Short title,
construction and
commence-
ment
Acts, 1966
No. 12

2. The Bank of Tanzania Act, 1965 is amended in the manner specified in the Schedule to this Act.

Amend-
ments to
Acts, 1966
No. 12

SCHEDULE

1. In section 3 insert in the appropriate alphabetical position the following new definition:—

““designated financial institution” means a specified financial institution which is designated by the Bank for the purposes of sections 43, 44, 45 and 46A of this Act”.

2. In section 3 and throughout the Act delete the words “Director-General” wherever they occur and substitute for them in each case the words “Deputy Governor”.

3. In section 5—

(a) insert in subsection (2) immediately after the word “fostering” which occurs in the last line the words “domestic and external”;

(b) add immediately after subsection (2) the following new subsection:—

“(3) Subject to subsections (1) and (2) of this section, the Bank shall engage in the promotion of rural development, industrial and agricultural production and the development of such other sectors of the economy of Tanzania as the Bank may deem appropriate. The Bank shall carry out its functions under this subsection through, amongst other ways—

(a) the provision of financial facilities, under such terms and conditions as the Bank may determine, to banks and designated financial institutions engaged in the financing of the economic sectors referred to in this subsection;

(b) the guaranteeing, through funds created under section 46B, or loans, advances or investments made available by banks and designated financial institutions engaged in the financing of the economic sectors referred to in this subsection;

(c) the provision of training facilities or opportunities designed to promote the development of a system of sound financial management in Tanzania;

(d) the supervision and inspection of the activities of banks and specified financial institutions.”.

4. In section 8—

(a) insert in paragraph (c) of subsection (1) immediately after the word “bank” which occurs in the second line the words “or a designated financial institution”;

(b) in subsection 2—

(i) delete the word “credits” which occurs at the end of paragraph (b) and substitute for it the word “creditors”;

(ii) delete the passage “from the meetings of the Board for a consecutive period of three months” which occurs in the first and second lines of paragraph (d) and substitute for it the passage “from three consecutive meetings of the Board”.

5. Add immediately after section 9 the following new sections:—

“Standing Committee 9A.—(1) There shall be a Standing Committee of the Board composed of the Governor, who shall be chairman (or in his absence the Deputy Governor), the Principal Secretary to the Treasury or his representative appointed by him in accordance with subsection (4) of section 9 and not more than three members of the Board appointed in that behalf by the Board.

SCHEDULE—*contd.*

(2) The Board may by resolution delegate to the Standing Committee, upon such terms and conditions as the Board may determine, any of the functions of the Board under this Act, other than the power—

- (a) to approve the administrative budget of the Bank under section 6;
- (b) to exercise the functions relating to allocation of profits under subsection (2) of section 15;
- (c) to make By-laws under section 23.

(3) The Standing Committee shall exercise the functions delegated to it under subsection (2) of this section during the intervals between the meetings of the Board, and shall exercise those functions in accordance with any directions given in that behalf by the Board.

(4) The Standing Committee shall meet as often as may be necessary for the performance of its functions, and shall promptly submit to the Board a report of its proceedings after each meeting.

(5) The quorum at meetings of the Standing Committee shall be three members one of whom shall be the Governor or in his absence the Deputy Governor.

(6) Subject to the provisions of this Act and to any directions given by the Board in that behalf, the Standing Committee may regulate its proceedings.

Other
Committees
of the
Board

9B.—(1) The Board may appoint such other committees of the Board as the Board may deem fit. The Board shall, subject to the provisions of this Act, specify the composition and functions of every committee appointed under this section and the terms and conditions upon which the committee shall exercise its functions.

(2) Every committee appointed under this section shall report to the Board on all the proceedings and actions of the committee, and the Board may reverse or vary any decision of the committee or may give such directions affecting any action of the committee as the Board may deem fit in the circumstances of each case.

(3) Subject to the provisions of this Act and to any directions given by the Board in that behalf, a committee appointed under this section may regulate its proceedings.”.

6. In subsection (6) of section 10 delete the passage “shall devote the whole of their professional time to the services of the Bank and shall not”, which occurs in the first and second lines and substitute for it the passage “shall, while in the service of the Bank, work full-time, and shall not,”.

7. In subsection (1) of section 11 (as amended by this Act in respect of references to the Director-General) delete the passage “a Governor or a Deputy Governor” which occurs in the sixth and seventh lines and substitute for it the passage “the Governor or the Deputy Governor.”.

8. In section 15—

- (a) in subsection (2) delete the word “and” which occurs at the end of sub-paragraph (ii) of paragraph (a), substitute for it the word “or” and add immediately after sub-paragraph (ii) the following new sub-paragraph:—

“(iii) if the amount of moneys in that fund exceeds three times the amount of that capital an amount not less than five per cent of its net profits; and”;

SCHEDULE—*contd.*

(b) in subsection (3) insert the words "or other" immediately after the word "par" which occurs in the third line.

9. In section 18—

- (a) in subsection (1) delete the words "every such" which occur immediately before the word "report" in the last line and substitute for them the word "that";
- (b) delete subsection (2) and substitute for it the following subsection:—

“(2) After a copy of the report has been submitted to the Minister, it shall be published by the Bank”;
- (c) in subsection (3) delete the words "any reports" which occur in the first line and substitute for them the words "the report".

10. In section 22 delete the words "Companies Ordinances" which occur in the first line and substitute for them the words "Companies Ordinance".

11. In subsection (1) of section 25 delete the passage "the par value of the shilling in terms of gold" which occurs in the first line and substitute for it the passage "the par or other value of the shilling".

12. Delete section 39 and substitute for it the following section:—

“Direct
advances
and other
short term
credit to the
Government,
etc.

39.—(1) Subject to the provisions of this section, the Bank may—

- (a) make direct advances to the Government for the purposes of offsetting fluctuations between receipts from the budgeted revenues and payments of the Government;
- (b) purchase, hold and sell Treasury bills issued by the Government which mature not later than twelve months from the date of issue.

(2) Each advance made to the Government under paragraph (a) of subsection (1) of this section shall—

- (a) be made solely for the purpose of providing temporary accommodation to the Government and shall, accordingly, be repayable within 180 days; and
- (b) bear interest at such rate, not being less than three per cent per annum, as may be agreed between the Bank and the Government.

(3) The total amount outstanding at any time of advances made and Treasury bills held by the Bank under this section shall not exceed one-sixth of the annual budgeted revenues of the Government as defined in section 41.”.

13 Delete section 40 and substitute for it the following section:—

“Operations
in Govern-
ment, etc.,
securities

40.—(1) Subject to the provisions of this section, the Bank may purchase, hold and sell negotiable stocks, bonds or similar debt obligations or other securities issued by the Government or, with the guarantee of the Government, by a public authority, which mature later than twelve months from the date of issue.

(2) The total amount of securities held by the Bank at any time under subsection (1) of this section shall not exceed the relevant limits set forth in the annual finance and credit plan referred to in section 50A.”.

SCHEDULE—*contd.*

14. Delete section 41 and substitute for it the following section:—

“Meaning of annual budgeted revenues 41. For the purposes of sections 39 and 40, the annual budgeted revenues of the Government include the revenues from taxes, levies, duties and fees, rents, profits and income from any investment or undertaking and any contribution to the revenue of the Government from any political sub-division of the United Republic, including loans, grants and other forms of economic aid or capital raised other than borrowings from the Bank and the banks”.

15. Delete section 43 and substitute for it the following section:—

“Banker to banks and designated financial institutions 43.—(1) The Bank may open accounts for, accept deposits from and collect money and other monetary claims for and on account of, banks and designated financial institutions and may generally act as banker to banks and designated financial institutions.
(2) Subject to the provisions of this Act, the Bank may provide additional services to banks and designated financial institutions, including interbank clearings and the provision of safe deposit facilities.”.

16. Delete section 44 and substitute for it the following section:—

“Rediscounts, etc. 44. The Bank may purchase from, sell to and rediscount on behalf of, banks and designated financial institutions such bills of exchange, promissory notes and other credit instruments which satisfy the following conditions—
(a) the instruments bear the endorsement or acceptance of a bank or a designated financial institution and—
 (i) in the case of bills, notes or other instruments issued or made for the purposes set forth in sub-paragraphs (i) and (ii) of paragraph (b) of this section, mature within 180 days from the date of acquisition or rediscount by the Bank; and
 (ii) in the case of bills, notes or other instruments issued or made for the purpose of financing industrial or agricultural production, mature within twelve months from the date of acquisition or rediscount by the Bank; and
(b) the instruments are issued or made for the purpose of financing—
 (i) the purchase or marketing of produce, the importation or exportation of produce or other goods, or the transportation of produce or other goods within Tanzania; or
 (ii) the storage of non-perishable goods or products which are duly insured or deposited under conditions assuring their preservation in authorized warehouses or in other places approved by the Bank; or
 (iii) industrial or agricultural production.”.

17. Delete section 45 and substitute for it the following section:—

“Loans 45. The Bank may grant loans or advances, on such terms and conditions as the Bank may determine, to any bank or designated financial institution repayable on demand or on the expiry of fixed periods not exceeding 180 days in the case of loans or advances granted for the purposes set forth in sub-paragraphs (i) and (ii) of paragraph (b) of section 44 or twelve months in the case of loans or advances granted for the purpose of financing industrial or agricultural production”.

SCHEDULE—*contd.*

18. In section 46—

- (a) delete the full-stop which occurs immediately after the word “banks” in the third line and add immediately after the word “banks” the passage “and designated financial institutions.”;
- (b) insert immediately after the word “banks” which occurs in the fifth line the words “and designated financial institutions”.

19. Add immediately after section 46 the following new sections:—

**“Rural
Finance
Fund**

46A.—(1) The Bank shall establish and maintain a Fund to be called the Rural Finance Fund which shall be administered by the Bank in accordance with the provisions of this Act.

(2) There shall be credited to the Rural Finance Fund—

- (a) an initial sum of thirty-five million shillings;
- (b) amounts to be determined in accordance with the provisions of subsection (3) of this section and to be allocated annually by the Bank from its income after consultation with the Minister;
- (c) any other sums accruing to the Rural Finance fund through the operations of the Fund;
- (d) any other sums which may vest in the Rural Finance Fund from any source.

(3) For the purpose of giving effect to the provisions of paragraph (b) of subsection (2), the Bank shall, before the commencement of each financial year, submit to the Minister for his approval the estimated amount which shall be allocated to the Rural Finance Fund during the next financial year out of the income of the Bank for that year.

(4) The Rural Finance Fund shall be applied by the Bank, on such terms and conditions as the Bank may determine, for—

- (a) the grant of loans or advances to banks or designated financial institutions repayable on the expiry of fixed periods exceeding twelve months but not exceeding twenty years, for the purpose of—
 - (i) financing rural development; or
 - (ii) enabling the extension of maturity of any loan or advance, or the extension of the period of the payment of any instalment of a loan or advance, granted by a bank or a designated financial institution for the financing of rural development where the bank or designated financial institution certifies, to the satisfaction of the Bank, that the repayment of the loan or advance or, as the case may be, payment of the instalment is in default due to the effects of natural calamities or other exceptional circumstances:

Provided that the total period of an extension or extensions granted under this sub-paragraph in respect of any particular loan or advance shall not exceed five years from the date of the first extension;

- (b) the purchase, holding or sale of debentures, bonds or other negotiable securities offered publicly by banks or designated financial institutions for the purposes of rural development and having a maturity exceeding twelve months but not exceeding twenty years from the date of issue;
- (c) the guaranteeing of any loans or advances granted by banks or designated financial institutions for financing rural development;

SCHEDULE—*contd.*

- Acts, 1975
No. 21
- (d) the subscription to the share capital of a bank or a designated financial institution;
 - (e) the acquisition, through a designated financial institution, of an interest in a village registered under the Villages and Ujamaa Villages (Registration, Designation and Administration) Acts, 1975.

Special funds 46B.—(1) The Bank may, with the approval of the Minister, establish and maintain such other special fund or funds for such purposes as the Bank may deem necessary or desirable, having regard to the functions of the Bank.

- (2) There shall be credited to every special fund established pursuant to subsection (1) of this section—
 - (a) such initial amounts, to be subscribed by the Bank, as the Bank may determine;
 - (b) amounts to be determined by the Bank and to be allocated from time to time by the Bank from its income;
 - (c) any other sums accruing to the fund through the operations of the fund;
 - (d) any other sums that may vest in the fund from any source.

Transfer of
moneys
between
funds

46C.—(1) Where the Bank is satisfied that at the close of any financial year there are in the Rural Finance Fund established under section 46A or in any special fund established under section 46B moneys which are not immediately required for the purposes of the Rural Finance Fund or, as the case may be, the special fund (which moneys shall in this section be referred to as a “surplus”), the Bank may, with the approval of the Minister and if in the opinion of the Bank financial exigencies or the public interest so require, and not with standing any provision to the contrary contained in this Act or in any other written law, transfer the whole or any part of the surplus from the Rural Finance Fund to any special fund or, as the case may be, from one special fund to another special fund or the Rural Finance Fund.

(2) Every transfer of any surplus made under this section shall be sufficient authority to apply the moneys so transferred for the purposes for which the fund to which the moneys are transferred has been established.”.

20. In section 47—

- (a) insert in subsection (1) immediately after the word “require” which occurs in the second line the word “all”;
- (b) in subsection (5) delete the full-stop at the end of that subsection and add the following passage “other than the paid up capital, reserves, the credit balance in the profit and loss account, advances taken from the Bank, or such other liabilities as the Bank may, by notice in the *Gazette*, exclude.”.

21. Add immediately after section 47 the following new section:—

“Liquid
asset
ratios

47A.—(1) Subject to subsection (2) of this section, every bank shall maintain liquid assets equivalent to not less than twenty per cent of its deposit and other liabilities in Tanzania.

(2) The Bank may, if in the opinion of the Bank it is necessary or desirable to do so, vary the ratio specified in subsection (1) for liquid assets, or prescribe different ratios for different kinds of deposits or other liabilities:

Provided that any variation of the ratio and any prescription of different ratios shall apply uniformly to all banks and shall take effect on the expiration of thirty days’ notice to the banks.

SCHEDULE—*contd.*

(3) The Bank may impose on any bank which fails to maintain the minimum ratio required under this section, a penalty charge not exceeding one tenth of one per cent per day on the amount of the deficiency for every day in which the deficiency continues, and the penalty charge may be recovered by deduction from any balance of, or moneys owing to, the bank concerned, or as a civil debt.

(4) In this section:—

(a) the “liquid assets” of a bank means its cash on hand, balances with the Bank, unencumbered securities issued or guaranteed by the Government, and such other assets as the Bank may, by notice in the *Gazette*, specify; and

(b) “liabilities” has the same meaning as is assigned to that expression in subsection (5) of section 47”.

22. In section 49 insert immediately after the word “volume” which occurs in the second line the words “allocation and”.

23. In section 50 insert immediately after the word “volume” which occurs in the second line the words “allocation and”.

24. Add immediately after section 50 the following new section:—

“Financial planning 50A.—(1) The Bank shall collect all such information as is required for the preparation of the annual finance and credit plan, foreign exchange plan and other monetary plans of the Government, and shall participate in the preparation, implementation and monitoring of those plans.

(2) Upon approval by the Government of the plans referred to in subsection (1) of this section the Bank shall submit at least one report to the Minister at intervals of three months on the implementation of the plans and on the general developments in the economy.

(3) In the event of significant deviations from the targets set forth in the plans referred to in subsection (1) of this section, the Bank shall recommend to the Government such remedial measures as the Bank may deem necessary or desirable.”.

25. Add immediately after section 51 the following new section:—

“Power of Bank to inspect banks and specified financial institutions 51A.—(1) Notwithstanding any provision to the contrary contained in any written law, the Bank may require banks and specified financial institutions to produce for inspection by a person or persons in the service of the Bank books, minutes, accounts, cash, securities, documents, vouchers and any other things in the possession or custody or under the control of the banks or specified financial institutions which relate to the business of the banks or specified financial institutions.

(2) After the conclusion of an inspection conducted pursuant to subsection (1) of this section, the Bank shall forward a copy of the Bank’s report on the inspection to the bank or specified financial institution concerned.

(3) If in the opinion of the Bank an inspection conducted pursuant to subsection (1) of this section shows that the business of any bank or specified financial institution is being conducted in a manner detrimental to the interests of the bank or specified financial institution or the public interest, the Bank may:—

(a) require the bank or specified financial institution concerned forthwith to take such remedial measures as the Bank may direct, which in the opinion of the Bank are necessary or desirable in the circumstances; or

SCHEDULE—*contd.*

(b) with the approval of the Minister, appoint a person who in the opinion of the Bank is competent to advise the bank or specified financial institution on the necessary remedial measures, and every advice given by a person so appointed shall have the same force and effect as a requirement of the Bank made under paragraph (a) of this subsection, and for the purposes of this section the advice shall be deemed to be a requirement of the Bank.

(4) Every bank and every specified financial institution required or deemed to be required to take remedial measures under subsection (3) of this section shall comply with every requirement affecting its business.”.

26. In section 52 delete the passages “section 48, 49, or 51” and “section 48, 50 or 51” which occur in the second and third lines respectively, and substitute for them respectively the passages “section 48, 49, 51 or 51A” and “section 48, 50, 51 or 51A”.

27. Delete section 53 and substitute for it the following section:—

“Reserve of external assets 53.—(1) The Bank shall at all times use its best endeavours to maintain a reserve of external assets at a level which is, in the opinion of the Bank, adequate for the purposes of the annual plans of the Government referred to in section 50A and for the international transactions of Tanzania.

(2) Subject to the provisions of subsection (4) of this section, the reserve of external assets shall consist of any or all of the following—

(a) gold;

(b) foreign exchange in the form of—

(i) demand or time deposits with foreign central banks or with the Bank’s agents or correspondents abroad;

(ii) documents and instruments customarily used for the making of payments or transfers in international transactions;

(iii) notes or coins;

(c) securities of, or guaranteed by, foreign governments or international institutions and organizations as are referred to in subsection (2) of section 54.

(3) The Bank shall from time to time determine the type and form of foreign exchange and the kinds of securities which may be held in the reserve of external assets pursuant to subsection (2) of this section.

(4) The Bank may include in its reserve of external assets any internationally recognized reserve asset, being a reserve asset not included in subsection (2) of this section, including—

(a) the reserve position of Tanzania in the International Monetary Fund; and

(b) holdings of special drawing rights of Tanzania,

which the Bank, after consultation with the International Monetary Fund and with the approval of the Minister considers suitable for inclusion in the reserve.

SCHEDULE—*contd.*

28. Delete section 59 and substitute for it the following section:—

‘Shares in corporations established for money or stock market and financial interest in villages

59. The Bank may, with the approval of the Minister, promote, and subscribe to, hold, and sell shares or, as the case may be, acquire an interest—

(a) in any corporation established by or with the approval or under the authority of, the Government for the purposes of promoting the development of a money market or securities market in Tanzania or of improving the financial machinery for the financing of economic development in Tanzania;

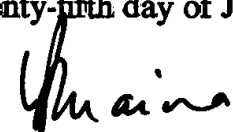
(b) through a designated financial institution, in any village registered under the Villages and Ujamaa Villages (Registration, Designation and Administration) Act, 1975:

Provided that the total value of the Bank’s holding of any shares or interest shall not at any time exceed fifty per cent of the aggregate of the Bank’s paid-up capital and of the general reserve fund of the Bank.”.

29. In section 62, subsection (1), insert in paragraph (d) immediately after the figure “12” which occurs in the second line the passage “or save for the purpose of giving effect to paragraph (c) of subsection (2) of section 46A by use of the resources of the Rural Finance Fund established under that section.”.

30. In section 66 delete the passage “subsection (4) of section 67 of the Interim Constitution of Tanzania, 1965” which occurs in the sixth and seventh lines and substitute for it the passage “subsection (4) of section 75 of the Constitution of Tanzania, 1977.”.

Passed in the National Assembly on the twenty-fifth day of July, 1978.


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Clerk of the National Assembly