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THE BANKING AND FINANCIAL INSTITUTIONS ACT
(CAP 342)

REGULATIONS

Made under section 71

THE BANKING AND FINANCIAL INSTITUTIONS (FINANCIAL
LEASING) REGULATIONS, 2011

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PART I
PRELIMINARY PROVISIONS

Citation	1. These Regulations may be cited as the Banking and Financial Institutions (Financial Leasing) Regulations, 2011.
Application	2. These regulations shall apply to all financial leasing operations operated by the banks and financial institutions or its subsidiaries, as well as financial leasing companies except micro leasing operations.
Interpretation	3. In these regulations unless the context requires otherwise-
Cap.342	“Act” means the Banking and Financial Institutions Act; “affiliate” means a person that directly or indirectly controls, or is under common control with, a lessor; “Bank ” means Bank of Tanzania; “bank” and “banking business” have the meaning ascribed to them in the Act; “conflict of interest” means a situation in which someone in a position of trust, has competing professional, business or personal interest, making it difficult to fulfil his duties impartially; “core capital” has the meaning ascribed to it in the Act; “director” has the meaning ascribed to it in the Act; “disclosed reserves” has the meaning ascribed to it in the Act; “entity” means corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, or any other form of undertaking that is not specifically listed herein but that is commonly recognized as an entity; and, unless the context indicates to the contrary, includes any Government or government agency or instrumentality; “financial leasing” means a lease or leasing agreement entered into pursuant to a transaction in which- (i) the lessee specifies the property and selects the supplier; (ii) the lessor acquires the selected property through lease or purchase as instructed in writing by the lessee without assuming any direct responsibility of maintenance and after-service;

- (iii) the lease payments are calculated so as to take into account the amortization of the whole or a substantial part of the cost of the property; and
- (iv) matters concerning the disposal of the leased property after the expiry of the lease, including an option given to the lessee to purchase the leased property, are agreed upon between the parties;

“financial leasing operations” means operations which involve provision of financial leasing;

“financial leasing company” means a non-deposit taking entity which is licensed by the Bank of Tanzania to carry out financial leasing operations;

“financial lease agreement” means an agreement for financing by the lessor in the form of an asset to be used for business purpose by a lessee;

“financial institution” has the meaning ascribed to it in the Act;

“financial intermediation” 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 or financial leasing company as per the criteria set out in the First Schedule to these Regulations;

“insider” means a director, an officer or significant shareholders of a bank or financial institution and their related parties;

“lease asset” means receivables under financial lease agreement;

“lessee” means a natural or legal person, who under a financial lease agreement made in terms of these Regulations, obtains from another person known as a lessor, the right to possession and use an asset in return for rental payments over an agreed period of time and includes its successors and assignees;

“lessor” means a person legally registered or licensed by the Bank and who under a financial lease agreement made in terms of these Regulations, conveys to another person known as the lessee, for an agreed period of time, the right to possession and use of an asset in return for rental payments and includes its successors and assignees;

“member of a family” means a parent, spouse, brother, sister, child, uncle, aunt, nephew, niece, stepfather, stepmother, stepchild, and adopted child of the person concerned, and in case of an adopted child his adopter or adopters;

“micro leasing operations” means all the finance leasing operations with the following characteristics that:

- (a) where the Average Value of the Asset in the portfolio is up to ten million Tanzanian Shillings;
- (b) where the Leasing term is short-term not exceeding twenty four months;

“net-worth” means own funds less intangible assets such as deferred revenue expenditure, preliminary expenses and goodwill;

“non-performing asset” means an asset in respect of which the scheduled lease rental has remained overdue or delinquent for 90 days and above;

“off-balance sheet exposure” has the meaning ascribed to it under the Act;

“officer” has the meaning ascribed to it under the Act;

“own funds or shareholder funds” means paid-up capital plus free reserves, net and includes:

- (i) losses that is, accumulated balance of loss carried on income statement; and
- (ii) unprovided for depreciation or diminution of the value of assets;

“person” has the meaning ascribed to it under the Act;

“real estate assets” include buildings, properties, plant, factory, hospital, and other assets of similar nature;

“recovery” means collection of the past due amount;

“related party” means-

- (a) in relation to or other body corporate means: -
 - (i) its holding company or its subsidiary;
 - (ii) a subsidiary of its holding company;
 - (iii) a holding company of its associates;
 - (iv) any person who controls the company or body corporate whether alone or with his related party or with other related parties of it; or
- (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;

“specific equipment” means any equipment that is difficult to resell and without a second hand market such as medical equipment, industrial equipment, printers and other equipment of similar nature;

“standard equipment” means any equipment that may be resold easily on a second hand market such as cars, construction equipment, heavy earth moving equipment, transport equipment, and other equipment of similar nature;

“subsidiary” has the meaning ascribed to it under the Act;

“total capital” has the meaning ascribed to it under the Act;

Financial
Leasing
Principles

4. Regulation of financial leasing operations shall ensure adherence to the principles of:

- (a) promotion of sustainable financial leasing companies;
- (b) instilling good corporate governance and accountability by shareholders, directors and managers;
- (c) putting in place safeguards against money laundering, corrupt activities for promotion and protection of integrity of financial systems; and
- (d) fostering efficient flow of information and transparency.

PART II

ELIGIBILITY FOR FINANCIAL LEASING OPERATIONS

Financial
leasing by banks

5.-(1) A person may, for the purposes of Regulation 4, not engage in the finance leasing operations unless that person has a license issued by the Bank.

(2) Notwithstanding sub-regulation (1), and subject to the provisions of the Act, banks and financial institutions licensed by the Bank may engage in financial leasing operations as permitted by the Act.

PART III
APPLICATION FOR A LICENCE

Status of an Applicant	6. Any financial leasing company shall be incorporated as a limited liability company under the laws of Tanzania.
Application	7. Every applicant shall submit to the Bank an application for a licence in a manner as prescribed in the Second Schedule to these Regulations.
Application for Licence	8. Application for licence shall, at its minimum, each application shall also be accompanied by the following- (a) a copy of the Memorandum and Articles of Association registered by the Registrar of Companies; authenticated legal documents or board resolution authorizing the signatory; (b) description of accounting system and information and communication technology in use or to be used in the operations of the financial leasing company and proposed future investment; (c) number of employees, job descriptions of senior management positions and an organization chart; (d) description of internal control procedures; and (e) narrative description of shareholders, board members and senior management and strategy for the successful operation of the financial leasing company.
Application fees	9. An application for a licence shall be submitted together with a banker's cheque of three million Tanzanian Shillings or any other amount as may be determined by the Bank from time to time, payable to the Bank as non-refundable application fee.
Submission of a business plan	10. Every applicant shall submit a business plan and financial projections prepared in accordance with the guidelines provided in the Third Schedule to these Regulations.
Financing leasing policies	11.-(1) Every application shall be accompanied by policies and procedure manuals establishing that the financial leasing company shall operate in a manner consistent with international best practice.

(2) The financial leasing operations policies shall be designed to promote directly or indirectly the financial or economic activities.

Documents

12. Every application shall be accompanied by one copy of each of the documents listed in the Fourth Schedule to these Regulations.

Legal opinion

13. The Bank may require the application thereto, to be accompanied by a legal opinion on any issue related to the financial leasing company as it may determine.

Principal contact

14. Every applicant shall designate and inform the Bank its principal contact and spokesperson of the company.

Granting of licence

15.-(1) The Bank shall, within sixty days after receipt of a complete application, or where further information has been required, after receipt of such information, grant a licence or reject the application.

(2) Where the Bank rejects the application, it shall, in writing provide the applicant an explanation of the ground upon which the rejection is based.

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

Commencement of business

16.-(1) A financial leasing company shall commence its operations within twelve months from the date the licence was granted unless such period is extended in writing by the Bank.

(2) A licensed financial leasing company shall not commence business until all the business premises, security facilities, communication facilities, processing equipment, accounting and internal control systems are in place and have been inspected or reviewed by the Bank.

PART IV SUPERVISION BY THE BANK

Inspections, compliance and reports

17. The Bank may, for the purpose of supervision on the financial leasing operations at such times and in such manner as it may consider necessary-

- (a) carry out inspection of operations of all banks or financial institutions or financial leasing companies in accordance with the provisions of the Act;
- (b) require any bank or financial institution or financial leasing company, within such time as it may stipulate, to furnish any information or to comply with any order, directive or determination issued or made by the Bank in relation to financial leasing operations; and
- (c) require any bank or financial institution or financial leasing company to provide periodic written reports on financial leasing operations at such times and in such manner as may be prescribed by the Bank.

Financial
capacity, Board
and Senior
Management

18. Without prejudice to the provisions of Regulation 17, the Bank may, for the purpose of financial leasing operations-

- (a) investigate and scrutinize the financial capacity of a bank or financial institution or financial leasing company;
- (b) assess the abilities of the banks or financial institutions or financial leasing companies and their business affiliates to pay their current obligations from their income, reasonability of valuation they assign to their assets, and their net-worth in relation to other liabilities;
- (c) review the history of the banks or financial institutions or financial leasing companies to determine their reputation, experience in financial sector, financial leasing operations, financial soundness and integrity in past and present business practices;
- (d) make an assessment, in accordance with the criteria set out in the First Schedule to these Regulations as to whether the members of the board of directors or senior management of a bank or financial institution or financial leasing company are fit and proper persons;
- (e) assess compliance with the provisions of the Act, Bank of Tanzania Act, Financial Leasing Act and any other written laws, regulations, policies, circulars, orders and instructions made there under.

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PART V
ORGANIZATION, OWNERSHIP AND MINIMUM CAPITAL

Board
membership

19.-(1) The Board of Directors of a financial leasing company shall have a membership of not less than five, two of whom shall have experience in financial leasing operations or financial intermediation and, majority of whom shall be non-executive.

(2) The chairperson of the financial leasing company shall be a non-executive member of the Board of Directors.

Vetting of
Senior
Management

20. A financial leasing company shall ensure that senior management staff and the board members are vetted by the Bank.

Undertaking by
Board

21.-(1) Every member of the Board of Directors of a financial leasing company shall execute a legally binding undertaking to fulfil his obligations towards maintaining a safe, sound and profitable company.

(2) Without prejudice to sub-regulation (1), a board member shall also undertake to comply with the provisions of the Act, Bank of Tanzania Act, Financial Leasing Act and any other written laws, Regulations, policies, circulars, orders and instructions made there under.

Board
Responsibility

22.-(1) The Board of Directors of a financial leasing company shall ensure that appropriate policies on risk management are in place and shall be fully responsible and accountable for the execution of such policies.

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

(a) a credit policy establishing a framework for financial leasing and investment decisions consistent with best practice and guidelines that may be issued by the Bank; and

(b) a system for measuring, monitoring, internal risk rating and provisioning consistent with best practice and guidelines that may be issued by the Bank.

(3) The Board of Directors of a financial leasing company shall periodically review, the credit policy and, in case of any modification, submit it to the Bank, not later than thirty days after its approval by the board.

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Nomination of a
Recovery
Officer

23. Every financial leasing company shall nominate an officer as recovery officer or constitute a section as recovery section depending upon the magnitude of defaults.

Minimum
Capital

24.-(1) Every financial leasing company shall commence its operations and maintain at all times at least a core capital of one billion Tanzanian 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 financial leasing company in Tanzanian Shilling using exchange rate prevailing on the date of remittance.

(3) Where the Bank is satisfied with reasons for a failure by a financial leasing company to meet the condition prescribed under sub-regulation (1) of this regulation, the Bank shall require that financial leasing company to increase its capital to the required level within a specified period.

(4) In the event the financial leasing company fails to comply with sub-regulation (3), the Bank may suspend it from carrying out financial leasing operations.

Deposit of paid
up capital

25. A financial leasing company shall deposit its paid up capital and other funds either in Tanzanian Shillings or in foreign currency, in a Tanzanian registered bank or financial institution, in Treasury Bills or other Government securities of not more than 364 days.

Additional
period for
increase of
capital

26.-(1) Any financial leasing company, which is in existence on the date of publication of these Regulations which, on that date, its capital is less than the amount prescribed under regulation 24(1), shall be given a period of three years to increase its capital to the amount required to comply with the provisions of regulation 24.

(2) Where, at the end of the period specified in sub-regulation (1), a financial leasing company is unable to comply with the requirements under regulation 24, the Bank may prescribe additional period of not more than two years within which the financial leasing company shall increase its capital to the amount required.

(3) Where a financial leasing company is unable to comply with the requirements of regulation 24, or at the end of any additional period granted under sub-regulation (2), the Bank shall suspend the financial leasing company from carrying out financial leasing operations.

Additional capital requirements 27. The Bank may prescribe additional capital requirements based on the risk profile of a financial leasing company.

Opening and closure of subsidiaries and branches 28. A financial leasing company shall-

- (a) not invest in capital expenditure for the purpose of opening a representative office, subsidiary, branch, agency, or additional office outside Tanzania without the prior approval of the Bank;
- (b) notify the Bank prior to opening and closure of representative office, subsidiary, branch, agency, or additional office inside or outside Tanzania within 30 days before that decision comes into effect.

PART VI
ACCOUNTS AND RECORDS

Debt to equity ratio 29. A financial leasing company shall ensure that the business premises, communication facilities, processing, accounting and internal control systems are in order at all times.

Operating conditions 30. A financial leasing company shall, at all times, ensure that debt to equity ratio does not exceed 10:1.

Operating conditions 31. A financial leasing company, shall at all times, while operating adhere to the following conditions-

- (a) maintain accounts in accordance with the Accounting Standards as prescribed by the National Board of Accountants and Auditors;
- (b) ensure while granting any facility, that due weight is given to credit report relating to the lessee and his group obtained from Credit Information Bureau, and where the credit report indicates over exposure, further facilities shall be extended only after recording reasons for such extension;
- (c) follow the prevailing laws, Regulations and guidelines in place issued to safeguard against involvement in money laundering activities and other unlawful trades.

PART VII
INSIDER DEALINGS AND SINGLE BORROWER'S LIMIT

Monitoring of
lease
accommodation
to insiders

32. Every financial leasing company shall put in place systems to identify and monitor financial lease accommodation to its insiders.

Transactions
with Insiders

33. All transactions of a financial leasing company with any of its insiders shall be on the terms not more favourable than would be available to others.

Lease
Accommodation
to Insiders

34.-(1) A financial leasing company shall not grant, directly or indirectly, any financial lease accommodation to any of its insiders unless the financial lease accommodation has been unanimously approved by all members of the Board of Directors excluding the director or alternate director who stands to benefit from the lease.

(2) Where a financial leasing company grants a lease accommodation to an insider in accordance with sub-regulation (1), it shall, within seven days from the date it grants the accommodation, notify the Bank.

Financial lease
limit to single
insider

35. The total amount of financial lease accommodation which may be granted by any financial leasing company, directly or indirectly, to an insider shall not exceed ten percent of its core capital.

Aggregate lease
limit to insiders

36. The aggregate amount of financial lease accommodations which any financial leasing company may grant, directly or indirectly, to its insiders or an insider who has ceased to be as such shall not exceed twenty five percent of its core capital.

Single
borrower's limit

37. The total amount of lease accommodation that may be granted by any financial leasing company, directly or indirectly, to any single person and his related parties, other than insiders, shall not exceed twenty five percent of its core capital.

PART VIII
CLASSIFICATION AND THE PROVISION OF LEASE ASSETS

Classification of assets

38. Every bank or financial institution or financial leasing company shall follow prudential guidelines in the matter of classification of its lease assets as provided for in the Fifth Schedule-

Non-performing asset re-negotiated or re-scheduled

39.-(1) A non-performing asset, which has been re-negotiated or re-scheduled, shall be a sub-standard asset, or continue to remain in the same category in which it was granted prior to its re-negotiation or re-scheduling.

(2) The asset may be upgraded only after satisfactory performance on the new payment schedule, that is, by on-time payment of interest and re-scheduled instalments, for one year from the date of re-scheduling.

(3) Necessary provision is required to be made as applicable to such lease asset until it is upgraded.

Provisioning for non-performing assets

40.-(1) All lease assets that are non-performing shall be provisioned by multiplying the outstanding balance of the investment in a financial lease by applicable provision rate less cash collateral and value of the asset.

(2) The applicable provision rates shall be as follows:

Classification	Provision Rates
Substandard	20%
Doubtful	50%
Loss	100%

(3) The value of the asset shall be determined based on the unamortized amount for each of the following asset categories:

Asset category	Amortization
Standard equipment	shall be amortized fully over five years.
Specific equipment	shall be amortized fully over three years, 40% in years one and two each and 20% in the third year.
Real estate assets	shall be amortized fully over ten years.

Quarterly review and

41. Financial lease portfolio shall be reviewed at least once in every quarter and the lease assets shall be classified,

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classification	based on payment of scheduled lease rentals, into the categories as set forth under Regulation 38.
Non-Performing Lease Asset	42. When any of the leases to a borrower becomes non-performing, the total dues outstanding under all the lease made available to the same borrower shall be considered “non-performing”.
Accrual of interest	43. Income shall not be accrued on non-performing lease assets instead shall be put in a Suspense Account and shall not be credited to Income Account.
Qualitative evaluation of lease portfolio	44.-(1) Qualitative evaluation of lease portfolio shall be carried out on the basis of adequacy of security, inclusive of its realisable value, cash flow of lessee, the lessee’s operation in the account, documentation covering advances and credit worthiness of the lessee. (2) The evaluation shall be made by banks or financial institutions or financial leasing companies as follows: (i) where in a lease rental which was lastly classified as loss, doubtful or substandard, the lessee had been making regular repayments during the following year and continue even up to the time of finalisation of annual accounts of the bank or financial institution or financial leasing company, the lease rental may be put into upgraded category provided that collaterals available with the bank or financial institution or financial leasing company are strong and of sufficient value to cover the outstanding amount and cash flow position justified; (ii) in case a classified account is upgraded and no regular rental was thereafter received for a consecutive period of six months, or was irregular preceding next balance sheet date of the bank or financial institution or financial leasing company, the account shall be reclassified according to aging criteria.
Provisioning for non-performing assets under accounting standards	45. In case some of the requirements on provisioning for non-performing assets under the accounting standards prescribed by National Board of Accountants and Auditors differ from the Bank requirements under regulation 40, all

banks or financial institutions or financial leasing companies shall observe the following:-

- (i) compute provisions using both approaches. Provision in line with the accounting standards shall be charged to the income statement. If this provision is less than the provision prescribed under regulation 40, then a special non-distributable reserve shall immediately be created through an appropriation of distributable reserves to eliminate the shortfall. The transfer shall be made in the statement of changes in equity and the purpose of the reserve shall be stated in a note to the accounts;
- (ii) profit for the year shall first be transferred to retained earnings, and an appropriate charge to the regulatory non-distributable reserve made before any dividend is declared;
- (iii) the special non-distributable reserve created shall not be part of the bank or financial institution's or financial leasing company's core capital. The reserve will not be taken into account when computing regulatory capital of a bank or financial institution or financial leasing company. Where a bank or financial institution or financial leasing company have made losses or have negative retained earnings, the excess provision should be added to accumulated losses when computing core capital;
- (iv) in its annual audited accounts a bank or financial institution or financial leasing company shall submit detailed schedules of provision for both approaches.

PART IX REPORTING AND DISCLOSURE REQUIREMENTS

Reports to be submitted to the Bank

46. Every bank, financial institution, or financial leasing company, shall submit returns and reports in relation to the financial leasing operations to the Bank in the format and frequency prescribed by the Bank.

Overdue and events of

47.-(1) Every bank, or financial institution or financial leasing company shall, on quarterly basis, furnish the Bank with

- defaults a list of defaulters in prescribed format.
- (2) For the purposes of sub-regulation (1), a person, shall be deemed to be a defaulter if he has failed to pay off or liquidate any obligation towards the bank or financial institution or financial leasing company as was agreed upon or required under the terms and conditions of availment of the financing facility or to do or perform an act agreed upon or undertaken in writing to be done or performed by him and such failure has continued for a period of 90 days from the date on which he was required to make the payment or to do or perform the act.
- Quarterly recovery targets 48. Every bank or financial institution or financial leasing company shall set quarterly recovery targets as a percentage of the overdue obligations and communicate the same on quarterly basis to the Bank.
- Progress report on the recovery 49. Every bank or financial institution or financial leasing company shall, on semi-annual basis, submit to the Bank:
- (a) a progress report on the recovery in relation to the targets established under Regulation 48 explaining variances if any, and the strategies to ensure achievement of subsequent targets;
 - (b) a list of court cases emanating from financial leasing transactions and progress of recovery.

PART X

INTERNAL AND EXTERNAL AUDITORS REQUIREMENTS

- Internal Audit 50. Every financial leasing company shall have an Internal Audit Function whose head shall report directly to the Board of Directors and shall, inter alia, be responsible for compliance with these regulations and establish an effective means of testing, checking and complying with its policy and procedures established by such financial leasing company.
- Appointment of external auditors 51.-(1) Every financial leasing company shall, on an annual basis, appoint an external auditor who is registered by the National Board of Accountants and Auditors and has no conflict of interest in a financial leasing company and notify the Bank within seven days of such appointment.
- (2) A financial leasing company shall within 90 days from the date the position falls vacant appoint an external auditor to fill in the vacant position.

(3) Where a financial leasing company fails to appoint an external auditor under sub-regulation (1) of this regulation or to fill any vacancy for an external auditor which may have fallen vacant, the Bank may appoint, on behalf of the financial leasing company, an external auditor and fix his remuneration which shall be paid by the financial leasing company.

(4) An independent auditor shall not audit the same financial leasing company for a continuous period exceeding four years.

PART XI
MISCELLANEOUS PROVISIONS

Bar to Certain
Transactions

52. A financial leasing company shall not-
- (a) engage in or finance any activity which is illegal under the laws of Tanzania;
 - (b) make investment in unlisted shares of any company without the approval of the Bank;
 - (c) transfer ownership of significant shareholding, merge with, acquire or take over any other financial leasing company without prior approval of the Bank to that effect.

Sanctions

53. Without prejudice to the other penalties and sanctions prescribed by the Act, the Bank may impose one or more of the following sanctions where any of the provisions herein are contravened-

- (a) money penalty on the financial leasing company and directors or officers, or employees responsible for non-compliance in such amounts as may be determined by the Bank;
- (b) prohibition from declaring or paying dividends;
- (c) suspension of extension of new financial leases;
- (d) suspension of capital expenditure;
- (e) suspension of the defaulting director, officer or employee from office;
- (f) disqualification from holding any position or office in any institution under supervision of the Bank; and
- (g) suspension from carrying out financial leasing operations in Tanzania.

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G.N. No. 151 (contd.)

Extension
period for
compliance

54. Where on the effective date of these Regulations, any financial leasing company is not in compliance with any of these Regulations, the Bank may, extend the period for compliance to that regulation.

FIRST SCHEDULE

(Regulations 3 and 18(d))

**CRITERIA FOR DETERMINING THE CHARACTER AND EXPERIENCE
REQUIRED FOR A MEMBER OF THE BOARD OF DIRECTORS AND
SENIOR MANAGEMENT OF A BANK OR FINANCIAL INSTITUTION OR
FINANCIAL LEASING COMPANY**

- 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 and requisite experience;
 - (b) general character;
 - (c) conflict of interest.(d) professional skills, competence and soundness of judgment for the fulfilment of the responsibilities of the office in question;
 - (e) the diligence with which the person concerned is likely to fulfil those responsibilities;
 - (f) experience and ability to manage funds, institute proper credit evaluation, collection procedures, accounting systems, effective internal control, audit programmes and management information systems.

- 2 For the purpose of and without prejudice to the generality of the provisions of paragraph 1, the Bank may have regard to the previous conduct and activities of the person concerned in the business or financial matters and, in particular to evidence that such person:-
 - (a) has committed any act of bankruptcy;
 - (b) was a director or in a senior management position of a company 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
 - (f) References from two persons who are not relatives, vouching for good moral character, integrity and performance.

SECOND SCHEDULE

(Regulation 7)

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

Re: Application for a Licence to carry out financial leasing operations

Sir,

We, the undersigned, hereby apply for a Licence to establish a financial leasing company in Tanzania to be known as _____ with principal place of business at _____

The proposed financial leasing company shall have an authorized share capital of _____ Tanzanian shillings and paid up capital of _____ Tanzanian shillings, which shall be contributed by the following subscribers:

Subscribed Shares

	Name of Subscriber	Number	Amount	Amount Paid-up	Percentage of Ownership
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	-	_____	_____
4.	_____	_____	-	_____	_____
5.	_____	_____	-	_____	_____
6.	_____	_____	-	_____	_____
7.	_____	_____	-	_____	_____
8.	_____	_____	-	_____	_____
9.	_____	_____	-	_____	_____
10.	_____	_____	-	_____	_____

Banking And Financial Institutions (Financial Leasing)

G.N. No. 151 (contd.)

11.	—	—	—	—	—
12.	—	—	—	—	—
13.	—	—	—	—	—
14.	—	—	—	—	—
15.	—	—	—	—	—
16.	—	—	—	—	—
17.	—	—	—	—	—
18.	—	—	—	—	—
19.	—	—	—	—	—
20.	—	—	—	—	—

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

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

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

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

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

Yours faithfully,

_____	_____
_____	_____
_____	_____
_____	_____

THIRD SCHEDULE

(Regulation 10)

GENERAL GUIDELINES FOR PREPARATION OF BUSINESS PLAN

1. The business plan should be prepared by the promoters and shall be reviewed by the Bank to determine whether approval should be given to operate a financial leasing business. The plan should identify the company'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 company. Proposal should reflect the realities of the market place.
3. A business plan should contain sufficient information to demonstrate that the financial leasing company 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 financial leasing company. To the extent necessary for making business decision, describe differences in the product market to be served for example, differences in the depository, credit and lease market. Analysis will be based on use of the most current economic data available. Sources of information used are reviewed for credibility and are important in reviewing the data.
5. Analyse the competition. List the competitors inside the market to be served, those outside who might affect the markets served and any potential competition. Give your perception and analysis of the market strategies and expected results in terms of relative strength, market shares and prices.
6. Explain the strategies you will follow to capture a share of each product market and the results you expect to achieve. Use a sample format to present a summary of your expectations.

Plans and Objectives

7. Review major planning assumptions used in the analysis and in setting the plans and objectives for a new financial leasing company. 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 company's fourth year.
10. Discuss plans for raising capital initially and to finance growth within the first four years.

Policy and Procedures

11. Policies are a set of broad statements establishing the concept and objective parameters for type, limits for maturities, pricing criteria and standards to be fulfilled by lessees, aggregate and individual concentration limits, and authority and procedures for collection and charge-offs.
12. Manual must be prepared comprising of detailed guidelines for implementing the stated policies. The manual generally will address proper lessee's financial information; files maintenance; enforcement of repayment schedules; and periodic review and other reports to be generated and distributed.
13. Policies and manuals need to cover all the steps of administration which include initiation, investigation and analysis, procedures for approval, renewals and extensions, documentation and procedures for re-possession.
14. The structure should in principle reflect the nature and scope of the intended activities of the company and the mechanism by which the management envisages to govern the company and to monitor as to what extent the objectives of the company 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 financial leasing company. The structure should also indicate the number of staff envisaged for each unit. Units such as internal audit, legal services and others should be indicated.
16. The promoters should be able to show the names of specific persons that are envisaged to take certain key positions in the company. 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 financial leasing company 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 company. 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. A minimum of four years must be displayed.

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FOURTH SCHEDULE
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[Regulation 12]

CHECKLIST OF DOCUMENTS

1. Letter of application in the prescribed form.
2. Proposed Memorandum and Articles of Association.
3. Proof of source and availability of funds for investment as capital of the proposed financial leasing company.
4. A written confirmation that the total capital has been fully paid up.
5. List of subscribers and proposed members of board of directors and Chief Executive Officer.
6. Proof of citizenship of every subscriber and every proposed director and senior management officer. This includes detailed curriculum vitae, photocopy of the pages of the passport which contain personal information and two recent passport size photographs.
7. 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 financial leasing company.
8. Certified copies of annual returns of every subscriber who owns five per cent or more of the share capital of the proposed company and every proposed member of the board of directors and Chief Executive Officer together with accompanying schedules or financial statements filed during the last three years with relevant Authority.
9. Certified copies of tax returns of every subscriber who owns five per cent or more of the share capital of the proposed company and every proposed member of the board of directors and Chief Executive Officer together with accompanying schedules or financial statements filed during the last three years with relevant Tax authorities together with respective tax clearance certificates.
10. Statements from two persons who are not relatives vouching for the good moral character and financial responsibility of the subscribers who owns five per cent or more of the share capital of the proposed financial leasing company and the proposed directors and Chief Executive Officer.
11. Declaration that the funds to be invested have not been obtained criminally or associated with any criminal activity.
12. Business plans for the first four years of operations including the strategy for growth, branch expansion plans, dividend payout policy, career development programme for the staff and budget for the first year.
13. Projected annual balance sheets, projected annual income statements and projected annual cash flow statements for the first four years of operation.

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

FIFTH SCHEDULE

(Regulation 38)

Asset	Classification
Current	is a lease asset in respect of which, no default in payment of interest or repayment of principal has occurred, or payment thereof has not been past due for 3 months (90 days), and which does not carry more than normal risk attached to the business and does not disclose any problem.
Substandard	is a lease asset that: <ul style="list-style-type: none">(i) displays well defined credit weaknesses that jeopardize the payment of the rentals;(ii) is not protected by the current (sound) net-worth and payment capacity of the lessee;(iii) terms regarding interest and/or principal have been re-negotiated/ re-scheduled after commencement of operations;(iv) classified as non-performing for a period not exceeding 6 months.
Doubtful	is a lease asset that: <ul style="list-style-type: none">(i) has been a non-performing asset for 6 months (180 days) and more but less than 12 months, or(ii) exhibits all the weaknesses inherent in sub-standard assets with the added characteristics that the credits are not well secured and the weaknesses make collection or liquidation of the debt in full improbable – on the basis of currently existing facts.
Loss	is a lease asset that: <ul style="list-style-type: none">(i) has remained past due/non-performing for 12 months or more, or(ii) is considered uncollectible and of such little value that its continuation as a recoverable advance is not warranted.

Dar es Salaam
....., 2011

BENNO J. NDULU
Governor