



BANK OF TANZANIA

**GUIDELINES FOR PARTICIPATION IN PRIMARY AND SECONDARY
MARKETS FOR TREASURY BILLS**

2015

TREASURY BILLS MARKETS

1.0 INTRODUCTION

The Bank of Tanzania as a banker and fiscal agent of the Governments¹ issues Treasury bills on behalf of the governments. Treasury Bills are debt instruments issued by the Governments in exchange for money borrowed from the public. Treasury bills are short-term securities maturing within a year. Treasury bills are issued for offsetting fluctuations between receipts from the budgeted revenues and payments of the Governments.

Treasury bills are auctioned at regular intervals by the Bank of Tanzania through a competitive tender system in the Primary market and subsequently sold and purchased on a continuous basis in the secondary market.

As investment instruments, Treasury Bills have the following advantages:

- They are relatively risk free because they are issued by the Government.
- They are transferable and negotiable.
- They can be pledged as collateral.
- The rate of return is competitive.

The guidelines are divided into four main parts namely, market set up and participation, auction and tendering procedures, settlement requirements and trading of Treasury bills in the secondary market.

¹ “Governments” stands for the United Republic of Tanzania and The Revolutionary Government of Zanzibar.

2.0 MARKET SET - UP AND PARTICIPATION

2.1 Market structure

The Market consists of a Primary market where the Bank of Tanzania issues Treasury bills for the first time on a fortnightly basis. Subsequent sales and purchases of Treasury bills are conducted in the secondary market.

2.2 Eligibility

All East African Community residents are eligible to participate in the Treasury bills auctions.

2.3 Central Depository System

The Bank of Tanzania maintains and processes Treasury bills transactions through the Central Depository System (CDS). Treasury bills holdings are processed and stored electronically. No physical certificates are issued.

Before participating in Treasury bills auction an investor has to become member of the CDS by opening a CDS securities account through Central Depository Participant (CDPs) of their choice. The procedures are as stipulated in CDS- rules and operational guidelines.

3.0 AUCTION AND TENDERING PROCEDURES

The Bank of Tanzania issues Treasury bills in four maturities namely 35-days, 91-days, 182-days and 364-days.

3.1 Call for tender

A press release that is also a prospectus (Annex III) shall be issued five days before each auction.

In conjunction with issuing a prospectus through newspapers, call for tender is also published electronically through CDS web portal.

3.2 Submission of tender forms

CDPs and their clients shall use tender forms, **CDS/FORM/03** (Annex I). This form can be obtained from the Bank of Tanzania Head office and Branches, BOT website (<http://www.bot.go.tz>) and from the CDPs' offices.

The minimum bid amount for Treasury bills is TZS 500,000 face value in multiples of TZS 10,000.

Bidders are allowed to submit multiple bids for every maturity at different prices.

Prices shall be quoted at discount in four decimal places.

Investors shall submit their tender forms through CDPs.

Duly completed tender forms bearing applicant's signature and stamp shall be submitted to the CDPs office. Subsequently CDPs will capture the bid details in the CDS for online submission to BOT.

The Bank of Tanzania reserves the right to accept or reject any or all-tender forms submitted in an auction.

3.3 Allocation to Successful Bidders

In allocating bids, the Bank shall use the computerized auction system known as Government Securities System (GSS).

The System uses multiple price system to allocate Treasury bills to the successful bidders. Each successful bidder shall pay the price she/he quoted. Successful bidders shall be listed, in a descending order starting with the highest bid price, down to the lowest bid price that exhausts the amount of Treasury bills offered for sale.

If bids at the cut off price exceed the face value of the remaining amount offered for sale, the Bank of Tanzania shall proportionally allocate amounts at the cut off price based on each bidder's amount until the amount offered for sale is exhausted.

3.4 Announcement of Results and Issuance of Bid Codes

Auction results shall be made available at the Bank of Tanzania website: <http://www.bot.go.tz> immediately after the auction, CDPs shall also display the auction results at their respective offices.

Successful bidders shall obtain bid result details (bid codes); from their CDPs. Bid codes shall be used as a reference for payment of Treasury bills through Tanzania Inter-bank Settlement System (TISS).

4.0 SETTLEMENT

4.1 Settlement of the Successful bids

- Successful bidders shall pay for their Treasury bills bids one day after the auction (T+1).
- Successfully bidders shall pay their won amount through their settlement banks.
- Commercial banks/settlement banks shall remit payment through TISS to achieve DVP.

4.2 Payment of Redemption Proceeds

On maturity, investors shall be paid the face value (100 percent) of the Treasury bills, which includes cost value and interest amount. The Bank shall pay the investors under the following arrangements:

1. For commercial banks that are TISS members together with their respective clients the Bank shall credit commercial banks' accounts.
2. For Commercial banks and Non-bank financial Institutions that are non-TISS members, the Bank shall credit their respective accounts.

4.3 Withholding Tax

- Income earned from investment in Treasury bills shall be subjected to withholding tax as per the Government regulations set from time to time.
- All participants exempted from paying withholding tax shall provide to the Bank tax exemption certificates from the Tanzania Revenue Authority (TRA).

5.0 TRADING OF TREASURY BILLS IN THE SECONDARY MARKET

- Sale and purchase of Treasury bills shall be done Over the Counter (OTC), after issuance in the primary market.
- Transfer of Treasury bills traded in the secondary market shall be effected in the Book Entry System. To effect transfer of Government securities, participants shall fill in Securities Transfer Form **CDS FORM-04 (Annex II)**.
- Duly completed securities transfer forms shall be submitted to CDPs.
- Securities Transfer form **CDS FORM-04** shall be obtained from the Bank of Tanzania website (<http://www.bot.go.tz>) and from CDPs offices.

6.0 REGISTERED CENTRAL DEPOSITORY PARTICIPANTS (CDPs)

The Bank of Tanzania has registered the following CDPs:

1	ACCESS BANK TANZANIA LIMITED
2	AFRICAN BANKING CORPORATION TANZANIA LTD
3	AKIBA COMMERCIAL BANK LIMITED
4	AZANIA BANK LIMITED
5	BANK M TANZANIA LIMITED
6	BANK OF AFRICA (T) LIMITED
7	BANK OF BARODA (T) LTD
8	BANK OF INDIA (TANZANIA) LIMITED
9	BANK OF TANZANIA
10	BARCLAYS BANK TANZANIA LIMITED
11	CHINA COMMERCIAL BANK LIMITED
12	CITIBANK TANZANIA LIMITED
13	COMMERCIAL BANK OF AFRICA (T) LTD
14	CORE SECURITIES LIMITED
15	CRDB BANK PLC
16	DCB COMMERCIAL BANK PLC
17	DIAMOND TRUST BANK TANZANIA LTD
18	E.A.CAPITAL
19	ECOBANK TANZANIA LIMITED
20	EFATHA BANK LIMITED
21	EQUITY BANK (TANZANIA) LIMITED
22	EXIM BANK (TANZANIA) LTD
23	FBME BANK LTD
24	FIRST NATIONAL BANK TANZANIA LIMITED

25	HABIB AFRICAN BANK LIMITED
26	I AND M BANK (T) LTD
27	INTERNATIONAL COMMERCIAL BANK
28	KCB BANK TANZANIA LIMITED
29	MAENDELEO BANK PLC
30	MKOMBOZI COMMERCIAL BANK PLC
31	NATIONAL BANK OF COMMERCE LTD
32	NATIONAL MICROFINANCE BANK PLC
33	NIC BANK(TANZANIA) LIMITED
34	OPTIMA CORPORATE FINANCE
35	ORBIT SECURITIES CO. LTD
36	RASILIMALI LIMITED
37	SOLOMON STOCKBROKERS LIMITED
38	STANBIC BANK TANZANIA LIMITED
39	STANDARD CHARTERED BANK TANZANIA LTD
40	TANZANIA INVESTMENT BANK
41	TANZANIA POSTAL BANK
42	TANZANIA SECURITIES LIMITED
43	TANZANIA WOMEN'S BANK PUBLIC LIMITED COMPANY
44	THE PEOPLE'S BANK OF ZANZIBAR LIMITED
45	TWIGA BANCORP LIMITED
46	UBL BANK (TANZANIA) LIMITED
47	UCHUMI COMMERCIAL BANK LIMITED
48	UNITED BANK FOR AFRICA (T) LTD
49	VERTEX SECURITIES LTD
50	ZAN SECURITIES LTD

GLOSSARY

Bid code: An alphanumeric reference assigned to a bid form before details are entered into the computer system for auction processing.

Book Entry System: An exchange and settlement system in a paperless form. It involves transferring of claims without the physical movement of paper documents or certificates.

Central Depository System: A system, which maintains and processes Treasury bills and bonds transactions/records through the Government Securities System (GSS).

Collateral: Securities pledged by a borrower against a loan, valid for the duration of the loan.

Cut off-price: The minimum price at which amount offered for sale is exhausted.

Dealer: An individual or firm selling or buying government securities as a principal or on own account.

Face Value: Par value (maturity value) of a security.

Government Securities: Treasury bills, bonds or stocks issued in accordance with the Government Loans Guarantees and Grants Act of 1974 as amended in 2004.

Securities Account: An account that keeps record of securities holdings for all investors in Government securities.

Maturity: The date when the Treasury bill/bond is due for redemption.

Over the counter (OTC): Secondary market trading system that involves sale and purchase of securities that are not listed and traded on an organized exchange.

Securities trading are conducted through telephones and computer network connecting dealers rather than on the floor of an exchange.

Secondary market: Sale and purchase of Treasury bills and bonds after their original issuance in the primary market.

Securities: Financial assets received in exchange for cash.

Settlement date: The date for delivery of securities and payment of funds.

Tender: An action of submitting a formal bid to buy a security in the Treasury bills and bonds auction.

TISS: Tanzania Inter-bank Settlement System is a Real Time Gross Settlement (RTGS), which facilitates payment, and settlement of government securities.

ENQUIRIES SHOULD BE DIRECTED TO:

Director,
Directorate of Financial Markets,
Bank of Tanzania,
P.O Box 2939, Dar-es-Salaam
Tel: G/L 022 – 2234494-97
D/Line: 022 - 22333564
Fax: 022-2112702

Manager,
Domestic Markets Department,
Bank of Tanzania,
P.O Box 2939, Dar-es-Salaam
Tel: G/L 022 – 2234494-97
D/Line: 022 – 22333529
Fax: 022-2234049

Branch Director,
BOT Arusha,
P.O Box 3043
Tel: 027 – 2545541-3
Fax: 027 – 2545444/2548722

Branch Director,
BOT Mwanza,
P.O Box 1362
Tel: 028 - 2500313/2500315-7
Fax: 028 – 2500277/2500318

Branch Director,
BOT Mbeya,
P.O Box 1203
Tel: 025 - 2503321-3
Fax: 025 – 2502844/2502602

Branch Director,
BOT Dodoma,
P.O Box 2303
Tel: 026-2963187
Fax: 026-2963189

Branch Director,
BOT Zanzibar,
P.O Box 568
Tel: 024 – 2230803/2238234
Fax: 024 – 2230415



**BID APPLICATION FORM
TO PARTICIPATE IN THE AUCTION OF SECURITIES**

Central Depository Participant Name.....

CDS SEC. A/C :.....

Account Name:

**Manager Domestic Markets
Bank of Tanzania
P.O. Box 2939
Dar es Salaam**

Date:

Security Type:

Issuer: Government of Tanzania

Auction Date.....Maturity period.....days/years

I/We tender for Government Securities with the following specifications:

Amount of Tender (Face Value)	Price per 100 shillings (Four Decimal places)
(1) TZS.....	@
(2) TZS.....	@
(3) TZS.....	@
(4) TZS.....	@

In accordance with the terms of the call for tenders for Government securities, I / We hereby agree to pay through TISS-DVP for the total amount that shall be allotted at the price per hundred shillings

Date **Authorized Signature** **Authorized Signature**



GOVERNMENT SECURITIES TRANSFER FORM

(To be submitted in duplicate to the Manager Domestic Markets)

1	Central Depository Participants:									
	1. Selling Dealer	Name								
		CDS SEC. A/C								
	2. Buying Dealer	Name								
		CDS SEC. A/C								
2	Transacting on behalf of the client:									
	1. Seller	Name								
		CDS SEC. A/C								
	2. Buyer	Name								
		CDS SEC. A/C								
3	Subject:									
	1. Nature of Transaction*									
	2. Bond no									
	3. Bond Auction no.									
	4. Bond Holding no.									
	5. Treasury Bills Auction no.									
	6. Treasury Bills Holding no.									
	7. Face Value									
	8. Price									

	9. Discounted Amount	
4	Delivery Instructions:	
	1. CDS SEC. A/C	Debit Account No
		Credit Account No
	2. Value Date (DD- MM- YYYY)	
5	Confirmation:	
	1. Authorized Signatory	
	2. Authorized Signatory	

Transaction Type:

1. Outright Purchase 2. Outright Sale 3. Repo

For BoT Official Use Only	Transaction Ref. No.
A. DOMESTIC MARKETS	
DEPARTMENT	
Checked by.....	Date
Verified by.....	Date
Approved by.....	Date
B. DOMESTIC ACCOUNTS	
DEPARTMENT	
Received by.....	Date
Holdings Transfer Effected by.....	Date.....
Verified by:.....	Date.....
Approved by:.....	Date.....

This implies the Seller and the Buyer in the Secondary Market. The form should be officially stamped. Transfer of ownership shall be affected if the sale and purchase transfer forms are received at the Bank of Tanzania

NOTES FOR COMPLETING TRANSFER CONFIRMATION FORMS

Central Depository Participants:

Selling Dealer- Dealer selling CDS securities on his own account

Buying Dealer- Dealer buying CDS securities on his own account

Transacting on behalf of the client:

Seller- Account holder of the CDS securities being sold.

Buyer- Account holder for whose account the CDS securities is being bought.

Subject:

Transaction Type-1: - Outright purchase, 2. - Outright Sale, 3. - Repo

Discounted Amount – The number of the particular security issue being transacted

Price - Days to redemption of the issue, calculated from the value date.

Face Value- The par value i.e. amount payable at maturity

Delivery Instructions:

Debit Account No - Central Depository System security account number to be debited.

Credit Account No - Central Depository System security account number to be credited

Value Date- Agreed settlement date, when CDS securities will be transferred

Confirmation:

For single investors, his/her signature is sufficient; others will be signed by two officers authorized to commit their institutions.

TREASURY BILLS AUCTION
NUMBER 914 INVITATION TO TENDER ON 22ND OCTOBER 2014

The Bank of Tanzania on behalf of the Government of the United Republic of Tanzania invites applications from primary dealers and other investors to tender for Treasury Bills of which terms and conditions are as follows:

1. Issuer	United Republic of Tanzania
2. Maturities/Amount	35 days up to TZS 3,000 Million 91 days up to TZS.32,000 Million 182 days up to TZS 45,000 Million 364 days up to TZS 55,000 Million
3. Auction date	Wednesday 22nd October 2014
4. Procedure for bidding	Bids will be submitted online through Central Depository Participants (CDPs) and the process will be closed at 11.00 a.m. on the auction date
5. Price per TZS 100	To be quoted at a discount to four (4) decimal places.
6. Minimum bid size	TZS 500,000 in multiples of TZS 10,000
7. Auction results	Auction results shall be made available on the Bank's Website and at Central Depository Participants' offices immediately after the auction.
8. Settlement date	Friday 24th October 2014
9. Form of issuance	Book entry system.
10. Redemption date	Redemption dates 35 –Day 28/11/2014

	<p>91 – Day 23/01/2015</p> <p>182 – Day 24/04/2015</p> <p>364 – Day 23/10/2015</p>
11. Tax	Interest income is subject to 10% withholding tax
12. Currency	Tanzania Shillings (TZS)
13. Defaulters	Successful bidders who will fail to honor their obligations on time will be disqualified from participating in the subsequent auctions for a minimum period of one (1) month

The Bank of Tanzania reserves the right to accept or reject any or all applications. For further details please contact:

**Domestic Markets Department,
Bank of Tanzania,
2 Mirambo Street, 11884,
P.O. Box 2939, Dar es Salaam
Tel: 2233529-30;
Fax :2234049
Website: www.bot.go.tz**