



THE BANK OF TANZANIA
CENTRAL DEPOSITORY SYSTEM
RULES

©2015 BANK OF TANZANIA

TABLE OF CONTENTS

1.	CITATION	II
2.	COMMENCEMENT.....	II
3.	DEFINITIONS	II
4.	CENTRAL DEPOSITORY PARTICIPANTS.....	1
5.	ELIGIBLE SECURITIES	1
6.	OPENING AND MAINTENANCE OF SECURITIES ACCOUNTS	1
7.	OPERATION OF SECURITIES ACCOUNTS	2
8.	CDS ACCOUNT STATEMENT	2
9.	TRANSFER OF SECURITIES.....	3
10.	SETTLEMENT OF GOVERNMENT SECURITIES.....	3
10.1.	Primary market.....	3
10.2.	Secondary market.....	3
11.	FAILURE TO SETTLE	3
12.	REDEMPTION	3
13.	FEEES FOR SERVICES RENDERED.....	4
14.	FORMS	4
15.	SUSPENSION.....	4
16.	DISCIPLINARY PROCEEDINGS.....	4
17.	INTERPRETATION OF RULES	4
18.	AMENDMENTS.....	5

1. CITATION

These Rules shall be cited as The Bank of Tanzania Central Depository System Rules, 2012. The Rules have been made in compliance with the provisions of Government Loans, Guarantees and Grants Act, 1974 (as amended), Capital Markets and Securities Act, 1994, Government Securities (Book Entry) Regulations, 1998 and the Bank of Tanzania Act, 2006.

2. COMMENCEMENT

The Rules shall come into force with effect from 31st August 2012.

3. DEFINITIONS

In these Rules, unless the context otherwise requires, the following meaning of words shall apply:

“Central Depository Participant”	<i>means bank licensed under the Banking and Financial Institutions Act, 2006 or a Broker Dealer licensed under the Capital Markets and Securities Authority, Act, 1994.</i>
“Bank”	<i>means the Bank of Tanzania existing under the Bank of Tanzania Act, 2006.</i>
“Central Depository System”	<i>means a system, which maintains and processes Treasury bills and bonds transactions/records through the Government Securities System (GSS).</i>
“Contract Note”	<i>means a legally binding confirmation of a purchase or sale of securities through a licensed broker and prepared on its behalf by CDS.</i>
“Delivery Versus Payment”	<i>means book entry transfer of ownership of a security in exchange for payment to settle a transaction.</i>
“Fees”	<i>means a charge imposed for services provided under the scheme contemplated under these rules.</i>
“Government Securities”	<i>means Treasury bills, bonds or stocks issued in accordance with the Government Loans, Guarantees and Grants Act, 1974.</i>
“Identification Proof”	<i>means unique details identifying an individual such as passport, National ID, Voter registration card, Driving license and Identity card and document with applicant photo issued by governments, statutory regulatory authorities, public sectors undertakings, public financial institutions, professional bodies and colleges.</i>

“International Securities Identification Number (International Securities Identification Number)”	<i>means an international code that uniquely identifies securities usually issued by a national security numbering agency.</i>
“Intra-account transfer”	<i>means it is when an account holder wishes to change his participant/broker. Account holders are able to transfer securities held through one participant to another the beneficial ownership of such securities will not change as a result of this type of transfer</i>
“Listed Entity”	<i>means entity which is listed on the Dar Es Salaam Stock Exchange.</i>
“Listed Securities”	<i>means Treasury bonds listed and traded at DSE.</i>
“Primary market”	<i>means sale of new issue of government securities.</i>
“Settlement”	<i>means the exchange of securities and funds in completion of trades in securities through the facilities of CDS in accordance with the CDS Rules.</i>
“Settlement day”	<i>means a day on which the purchased securities are due for delivery to the buyer and payment is due to be made to the seller.</i>
“Settlement reference code”	<i>means an alphanumeric reference assigned to successful bids to facilitate DVP settlements.</i>
“Short position”	<i>means Central Depository Participant trades securities which are not available in the CDS account.</i>
“Trade”	<i>means a purchase and sale transaction of Treasury bill and bonds.</i>
“Working Day”	<i>means a day on which the Bank is open for general banking business.</i>

4. CENTRAL DEPOSITORY PARTICIPANTS

An organization, entity or person shall qualify as a Central Depository Participant if one of the following criteria is met:

- i. It is a licensed dealer under the CMSA Act, 1994 and a member of the Dar Es Salaam Stock Exchange.
- ii. It is a bank, licensed under the Banking and Financial Institutions Act, 2006.

5. ELIGIBLE SECURITIES

- 5.1. The following categories of securities will be eligible for processing by Central Depository Participants through CDS' clearance, settlement and depository facilities.
 - i. Securities issued through the Government securities auction system.
 - ii. Government securities issued under placement arrangements e.g. special bonds.
- 5.2. Government bonds to be processed in CDS shall be assigned a unique ISIN.

6. OPENING AND MAINTENANCE OF SECURITIES ACCOUNTS

- 6.1. A Central Depository Participant shall open a CDS securities account as per the CDS Operational Guidelines.
- 6.2. Central Depository Participants shall facilitate opening of the CDS Securities Account for their clients.
- 6.3. Central Depository Participants shall take all possible precautions to establish the authenticity of the client by examining the identification proof.
- 6.4. Central Depository Participants shall ensure that the information in the client's Securities Account is strictly kept confidential at all times.
- 6.5. The deposited securities held in a Securities Account shall be held by CDS in trust for the account holder. The Bank shall not mortgage, charge, pledge, deposit as collateral or in any way deal with the deposited securities, unless instructed to do so in writing by the account holder, through the Central Depository Participant.
- 6.6. Multiple Securities Accounts may be maintained by clients identified separately for each Central Depository Participant of CDS. Clients may transfer security positions between Securities Accounts.

- 6.7. The Bank shall maintain a list of securities subject to processing through its CDS and each participant shall be assigned a unique CDS ID and CDS Securities Account Number.
- 6.8. The Bank shall have the absolute right to suspend dealings on any securities account if the Bank is of the opinion that there is an irregularity in operation of the account, until such time all clarifications are made.
- 6.9. The Bank may suspend dealings on a securities account on receipt of written confirmation of the death of an account holder until such time as the grant of letters of administration or such other process as may be determined by Law.

7. OPERATION OF SECURITIES ACCOUNTS

- 7.1. Instructions by the account holder to CDS in relation to the Securities Account shall be through the Central Depository Participant.
- 7.2. The request for change on client master file information by Central Depository Participants shall be processed only after checking the validity and authenticity of such communication. The account name and the CDS securities account number shall be indicated in all such requests. The respective Central Depository Participant shall be held liable for directing any incorrect or false information regarding changes to client master file information.
- 7.3. Central Depository Participant shall effect a sale transaction on behalf of an account holder subject to availability of sufficient balance in respect of that security in the securities account.
- 7.4. Central Depository Participant shall effect sale and purchase after matching transfer forms for both parties effecting the purchase and sale transactions.
- 7.5. CDS shall effect clearance of sale and purchase transactions that have been matched by both seller and buyer Central Depository Participant.

8. CDS ACCOUNT STATEMENT

Central Depository Participants shall provide statements of securities holdings to clients upon request.

9. TRANSFER OF SECURITIES

- 9.1. When a Central Depository Participant receives a request for an intra-account transfer, the authenticity of the transfer request shall be ensured by both Central Depository Participants.
- 9.2. When a Central Depository Participant receives a request for an inter-account transfer, the authenticity of the transfer request shall be done by Central Depository Participants for clients under the same dealer or both Central Depository Participants for clients from different dealers.

10. SETTLEMENT OF GOVERNMENT SECURITIES

10.1. Primary market

Settlement of securities shall be on DVP arrangement based on the settlement reference code.

10.2. Secondary market

Settlement shall be done based on the matched transfer forms from seller and buyer Central Depository Participants received by the Bank.

11. FAILURE TO SETTLE

- 11.1 Central Depository Participant failing to settle on due date shall be liable to a penalty in accordance with Operational Guidelines in force.
- 11.2 Clients failing to settle on due date shall be liable to a penalty in accordance with Operational Guidelines in force.

12. REDEMPTION

The Bank shall make payments on due dates for the matured government securities to the beneficiary owner through settlement banks in accordance with Operational Guidelines in force.

13. FEES FOR SERVICES RENDERED

- 13.1 Central Depository Participants may pay such fees and charges to the Bank as specified in these Rules or as approved by the Bank from time to time.
- 13.2 A Central Depository Participant may be charged for other expenses caused directly or indirectly by such a Central Depository Participant, including and without limitation, the cost of producing records pursuant to a court order or other legal process in any litigation and other legal proceeding.

14. FORMS

Transactions handled through CDS under these Rules shall require the use of appropriate forms as prescribed in the Operational guidelines. Changes in any such forms may be made by the Bank at any time in its discretion. Any information required to be delivered to CDS by use of any such forms may be delivered electronically or physically as shall be prescribed by the Bank from time to time.

15. SUSPENSION

The Bank shall suspend or prohibit or limit a Central Depository Participant with respect to access to services offered to CDS in the event that such Central Depository Participant;

- a) has been and is expelled or suspended from any regulatory or self-regulatory organization,
- b) is in default of any delivery of funds or securities to CDS,
- c) is in such financial or operating difficulty

16. DISCIPLINARY PROCEEDINGS

The Bank shall take disciplinary action against any Central Depository Participant for a violation of any provision of the Rules of CDS or such a Central Depository Participant's agreements with the Bank, or for any error, delay or other conduct detrimental to the operations of CDS, or for not providing adequate facilities for Central Depository Participant's business with CDS, by expulsion, suspension, limitation of or restriction of activities, functions and operations, fine or censure of any other action as may be deemed necessary.

17. INTERPRETATION OF RULES

The Bank shall have authority to interpret the Rules of the CDS and their interpretations shall be final and binding.

18. AMENDMENTS

These Rules may be amended from time to time when a need arises and the Central Depository Participants shall be given a minimum of five working days notice before operationalisation of any proposed amendment.

Domestic Markets
Bank of Tanzania