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THE BANKING AND FINANCIAL INSTITUTIONS (CONSOLIDATED
SUPERVISION) REGULATIONS, 2014

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- (d) management contract or any arrangement granting power to a bank or financial institution to direct or cause the direction of the management and policies of another company;
- (e) permanent proxy or voting trust in favour of a company involving ten per cent or more of the issued and outstanding voting shares of another company;
- (f) companies with cross-guarantee; and
- (g) direct commercial interdependency, which cannot be substituted in the short-term.

“Bank” means the Bank of Tanzania;

“bank” has the meaning ascribed to it in the Act;

“banking group” means two or more banks or financial institutions which are under common control and it includes the associates, affiliates and subsidiaries of the banks or financial institutions;

“bank holding company” means a company that controls one or more bank or financial institution but does not necessarily engage in banking business;

“consolidated financial statements” means consolidated financial statements prepared in accordance with International Financial Reporting Standards or in such other manner as the Bank may prescribe;

“control” has the meaning ascribed to it in the Act;

“financial group” means an institution with one or more affiliates, associates or subsidiaries engaged in non-bank financial business together with the associates, affiliates and subsidiaries of a bank or financial institution and the affiliates, associates or subsidiaries engaged in non-bank financial business;

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

“lead bank” means a bank or financial institution in a group which is charged with reporting obligations for the entire group to the Bank;

"officer" has the meaning ascribed to it in the Act; and
"subsidiary" has the meaning ascribed to it in the Act.

Objectives

4. The objectives of these Regulations are to provide-
- (a) the scope and manner of supervision of banks and financial institutions on consolidated basis;
 - (b) the prudential rules, terms and procedures for exercising consolidated supervision;
 - (c) methods used to calculate capital adequacy requirements on a consolidated basis; and
 - (d) content, manner and frequency of submission of consolidated financial reports and other information to the Bank.

PART II CORPORATE GOVERNANCE AND RISK MANAGEMENT

Corporate
governance and
risk management

5.-(1) A banking group shall establish appropriate corporate governance, management, internal control and risk-management systems that are commensurate with its risk profile and strategy.

(2) a banking group shall, at a minimum, have a Chief Executive Officer, Chief Finance Officer and Heads of internal audit, risk and compliance functions.

(3) The Chief Executive Officer, Chief Finance Officer and Heads of internal audit, risk and compliance functions referred to under sub-regulation (2) may be appointed from subsidiaries, affiliates or associates of a banking group.

Vetting of
director,
significant
shareholder or
senior officer of a
banking group

6. A director, significant shareholder or senior officer of a banking group shall be vetted by the Bank in accordance with the requirements prescribed in the Banking and Financial Institutions (Licencing) Regulations.

Banking group
directorship

7.-(1) The Board of Directors of a banking group shall be composed of not less than five members.

(2) The Chairman of the board of directors of a banking group shall be a non-executive director.

(3) A person shall not be appointed as, or hold office of a director of a banking group, if that person is disqualified from being appointed as a director of a bank or financial institution in terms of the Act and Guidelines for Directors of Banks and Financial Institutions issued by the Bank.

(4) The quorum of any meeting of the board of directors of any banking group shall be the majority.

Group External
auditors

8. A banking group shall appoint an external auditor approved by the Bank who shall discharge the same responsibilities and exercise powers of auditors of banks and financial institutions, prescribed in the Act.

PART III CONSOLIDATED REPORTS

Information
requirements

9.-(1) A bank or financial institution shall, not later than 28th February of the following year, submit to the Bank information set out in the Schedule relating to its affiliates, associates and subsidiaries, as at 31st December of each year.

(2) The Bank may require a copy of the latest annual audited financial statements of such affiliates, associates and

subsidiaries of the bank or financial institution.

Consolidated
financial
reporting

10. A bank or financial institution which has any subsidiary shall submit a copy of its audited consolidated financial statements to the Bank within four months after the end of the financial year.

Consolidated
reports

11. A bank or financial institution which has any subsidiary shall, within fifteen days following the end of the reference quarter submit to the Bank quarterly consolidated reports prepared in accordance with the format prescribed by the Bank for-

- (a) capital adequacy;
- (b) credit concentration;
- (c) insider transactions; and
- (d) such other prudential reports as the Bank may prescribe.

Group reports

12.-(1) Where the Bank determines that a bank or financial institution is part of banking or financial group, the group shall submit its consolidated reports on quarterly basis to the Bank.

(2) the report referred to under sub-regulation (1) shall be submitted within fifteen days following the end of the reference quarter in accordance and be prepared in the format prescribed by the Bank for-

- (a) capital adequacy;
- (b) credit concentration;
- (c) insider transactions; and
- (d) such other prudential reports as the Bank may prescribe.

Group reports

12.-(1) Where the Bank determines that a bank or financial institution is part of banking or financial group, the group shall submit its consolidated reports on quarterly basis to the Bank.

(2) the report referred to under sub-regulation (1) shall be submitted within fifteen days following the end of the reference quarter in accordance and be prepared in the format prescribed by the Bank for-

- (a) capital adequacy;
- (b) credit concentration;
- (c) insider transactions; and
- (d) such other prudential reports as the Bank may prescribe.

Additional reporting

13.-(1) Without Prejudice to regulation 9, 10 and 11 the Bank shall determine any other information to be submitted by a bank or financial institution and any of its affiliates, associates and subsidiaries.

(2) The Bank shall use the information under sub-regulation (1) to satisfy itself that the operations and affairs of such affiliates, associates and subsidiaries are not detrimental to the safety and soundness of the bank or financial institution concerned and are in compliance with the Act.

PART IV PRUDENTIAL LIMITS

Prudential limits

14. A bank or financial institution with any subsidiary shall, on consolidated and solo basis, comply with-

- (a) the minimum capital adequacy requirements established by the Banking and Financial Institutions (Capital Adequacy) Regulations;
- (b) limits on credit concentration established by the Banking and Financial Institutions (Credit Concentration and Other Exposure Limits) Regulations;
- (c) the limits on insider transactions established by the Banking and Financial Institutions (Credit Concentration and Other Exposure Limits) Regulations;
- (d) the limits established by the Banking and Financial Institutions (Liquidity Management) Regulations; and
- (e) Any other limits as the Bank may determine.

Consolidated
prudential limits

15. Where the Bank determines that a bank or financial institution is part of a banking or financial group, it shall require the group in addition to prudential requirements applicable to banks and financial institution, on a consolidated basis to comply with-

- (a) the minimum capital adequacy requirements established by the Banking and Financial Institutions (Capital Adequacy) Regulations;
- (b) limits on credit concentration established by the Banking and Financial Institutions (Credit Concentration and Other Exposure Limits) Regulations;
- (c) the limits on insider transactions established by the Banking and Financial Institutions (Credit Concentration and Other Exposure Limits) Regulations;
- (d) the limits established by the Banking and Financial Institutions (Liquidity Management) Regulations; and
- (e) any other limits as the Bank may determine.

Scope
of
consolidation

16.-(1) The Bank may determine entities which meet the requirements of regulations 12, 13, 14 and 15 to be included in the consolidation and may require for supervisory purposes, consolidated financial information which may differ from the consolidation required under International Financial Reporting Standards.

(2) Entities belonging to banking group, whether regulated or not, must satisfy all requests for information issued by the Bank through the lead bank required for the purposes of consolidated supervision.

Additional capital

17. A bank or financial institution shall increase its capital above the minimum requirements set pursuant to section 17(3) of the Act and the Banking and Financial Institutions (Capital Adequacy) Regulations to such level as the Bank may determine to shield against the risks arising from its banking group relationships.

PART V SANCTIONS

Sanctions

18.- (1) Without prejudice to penalties and actions prescribed by the Act, the Bank may impose one or more of the following sanctions where any of the provisions herein are contravened-

- (a) a penalty of the amount to be determined by the Bank on the bank or financial institution, or subsidiary or associate or affiliate of such bank or financial institution;
- (b) prohibition from declaring or paying dividends;
- (c) suspension of the privilege to issue letters of credit or guarantee;
- (d) suspension of access to credit facilities of the Bank;
- (e) suspension of lending and investment operations;
- (f) suspension of capital expenditure;
- (g) suspension of the privilege to accept new deposits;
- (h) revocation of banking licence;
- (i) suspension from office of the defaulting director, officer or employee; and
- (j) disqualification from holding any position or office in any bank or financial institution under the supervision of the Bank.

(2) The penalty referred to in paragraph (a) of sub regulation (1) shall apply to directors, officers or employees of the bank or financial institution or subsidiary or associate or

affiliate of such bank or financial institution.

SCHEDULE

Made under Regulation 9

The following information shall be submitted to the Bank not later than 28th February each year relating to all financial information as at 31st December-

- (a) Consolidated capital adequacy levels of the banking group;
- (b) Capital adequacy of individual entities within the banking group;
- (c) Large exposures (10% or more of core capital) indicating key terms including sanctioned amount, outstanding balance, tenor, rate of interest and collateral pledged;
- (d) Outstanding credit accommodations to related parties on a banking group and individual entity basis indicating key terms including sanctioned amount, outstanding balance, tenor, rate of interest and collateral pledged;
- (e) Outstanding debts by the banking group;
- (f) Outstanding debts by individual entities within the banking group;
- (g) Credit accommodations to significant shareholders, directors or senior officers of the entities in the group indicating key terms including sanctioned amount, outstanding balance, tenor, rate of interest and collateral pledged; and
- (h) Banking group structure including ownership and governance structure.

Dar Es Salaam,
....., 2014

BENNO J. NDULU
Governor