



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





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# **TREASURY BILLS MARKETS IN TANZANIA**

## **1.0 INTRODUCTION**

The Bank of Tanzania as a banker and fiscal agent of the Governments<sup>1</sup> 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 markets.

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.

## **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.

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<sup>1</sup> "Governments" stand for the United Republic of Tanzania and The Revolutionary Government of Zanzibar.

## **2.2 Eligibility**

All Tanzanian residents are eligible to participate in the Treasury bills auctions. The threshold for participation is divided into two groups:

1. Primary dealers and direct investors with bids of TZS 5.0 million and above are eligible to participate directly in the Treasury bills auction.
2. Investors with bids that are less than TZS 5.0 million shall channel their bids through Primary dealers.

## **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.

## **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 iv) shall be issued one week before each auction.

### **3.2 Submission of tender forms**

Primary dealers and their clients shall use tender forms, **BOT-FORM-TBI** for Treasury bills (annex I) while direct investors shall use form **BOT-FORM-TB2** (annex II). These forms can be obtained from the Bank of Tanzania Head office and Branches, BOT website <http://www.bot-tz.org> and from the Primary Dealers' 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 in two decimal places. Investors shall submit their tender forms through primary dealers or directly to the Bank of Tanzania.

Duly completed tender forms bearing applicant's signature and stamp shall be dropped in the tender boxes located at the reception area of the Bank of Tanzania Head Office, 10 Mirambo Street Dar Es Salaam or at Bank of Tanzania Branches in Mwanza, Arusha, Mbeya and Zanzibar before 11.00 a.m. on the auction date.

**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 Head Office and Branches Notice Boards and at the Bank of Tanzania website <http://www.bot-tz.org> immediately after the auction. Primary dealers (PDs) shall also display the auction results at their respective offices.

Successful bidders shall obtain bid result details (bid codes); from the Bank of Tanzania Head Office immediately after the announcement of the results. 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).
- Commercial banks that are primary dealers shall remit payment through TISS.
- Direct Investors and broker dealers shall pay through commercial banks (correspondent banks), which are TISS members.
- The Bank of Tanzania shall debit the accounts of Commercial banks that are not TISS members and Non-bank financial institutions.
- Successful bidders shall provide to the Bank of Tanzania their accounts' particulars with their correspondent banks to facilitate payment for interest and redemption proceeds.
- In case of non-compliance within the time limit set for settlement, successful bidders shall be disqualified from participation in the next four (4) auctions

A Statement of participant's holdings in Treasury bills shall be made available upon request.

### **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 Direct investors the Bank shall credit their accounts with correspondent banks.
  3. 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 BOT-FORM-TF (annex III) in triplicate.**
- Duly completed securities transfer forms shall be submitted to the Bank of Tanzania.
- Securities Transfer form **BOT-FORM-TF** shall be obtained from the Bank of Tanzania Head office and Branches, and from Primary Dealers' offices.

### **6.0 REGISTERED PRIMARY DEALERS**

**The Bank of Tanzania has registered the following primary dealers:**

- 1) Akiba Commercial Bank Ltd.
- 2) Citibank (T) Ltd.
- 3) CRDB Bank Ltd.
- 4) Diamond Trust Bank (T) Ltd.
- 5) Eurafrican Bank (T) Ltd.
- 6) Exim Bank (T) Ltd.
- 7) Habib African Bank Ltd.
- 8) International Commercial Bank (T) Ltd.
- 9) Kenya Commercial Bank (T) Ltd.

- 10) NBC Limited
- 11) NMB Ltd.
- 12) Stanbic Bank (T) Limited
- 13) Standard Chartered Bank Ltd.
- 14) Orbit Securities Co. Ltd.
- 15) Rasilimali Limited
- 16) Solomoni Securities Ltd.
- 17) Core securities Ltd.
- 18) Tanzania securities Ltd.
- 19) Vertex International Securities

The Bank of Tanzania reserves the right to amend these guidelines when deemed necessary.

**Domestic Markets Department  
Directorate of Financial Markets  
September 2008**

## GLOSSARY

<b>Bid code:</b>	An alphanumeric reference assigned to a bid form before details are entered into the computer system for auction processing.
<b>Book Entry System:</b>	An exchange and settlement system in a paperless form. It involves transferring of claims without the physical movement of paper documents or certificates.
<b>Broker:</b>	A person who intermediates between buyers and sellers, usually charging a commission.
<b>Broker-dealer:</b>	An individual or organization licensed by the Capital Markets and Securities Authority (CMSA) to trade on own account and on behalf of clients.
<b>Central Depository System:</b>	A system, which maintains and processes Treasury bills and bonds transactions/records through the Government Securities System (GSS).
<b>Collateral:</b>	Securities pledged by a borrower against a loan, valid for the duration of the loan.
<b>Collateral Account:</b>	Record of securities pledged as collateral in a transaction kept by Domestic Markets Department at the Bank of Tanzania.
<b>Cut off-price:</b>	The minimum price at which amount offered for sale is exhausted.
<b>Dealer:</b>	An individual or firm selling or buying government securities as a principal or on own account.
<b>Direct Investor:</b>	Is a non-Primary Dealer participating with bids of at least TZS 5,000,000/= per bid <sup>2</sup> .
<b>Face Value:</b>	Par value (maturity value) of a security.

<sup>2</sup> The minimum bid value is subject to change from time to time.

<b>Government Securities:</b>	Treasury bills, bonds or stocks issued in accordance with the Government Loans Guarantees and Grants Act of 1974 as amended in 2004.
<b>Holding Account:</b>	An account that keeps record of securities holdings for all investors in Government securities.
<b>Maturity:</b>	The date when the Treasury bill is due for redemption.
<b>Over the counter (OTC):</b>	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.
<b>Primary Dealer:</b>	A selected individual group of participants authorized by the Bank of Tanzania to participate directly in the issuance of Government Securities and to on-sell these securities to the general public.
<b>Primary market:</b>	Sale of a new issue of government securities.
<b>Secondary market:</b>	Sale and purchase of Treasury bills after their original issuance in the primary market.
<b>Securities:</b>	Financial assets received in exchange for cash.
<b>Settlement date:</b>	The date for delivery of securities and payment of funds.
<b>Tender:</b>	An action of submitting a formal bid to buy a security in the Treasury bills and bonds auction.
<b>TISS:</b>	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:**

Deputy Director,  
Domestic Markets Department,  
Bank of Tanzania,  
P.O Box 2939  
Dar-es-Salaam  
Tel: G/L 022 - 110945-7  
D/Line: 022 – 2233473-4  
Fax: 022-2234049

Branch Director,  
BOT Arusha,  
P.O Box 3043  
Tel: 027 - 2508341-3/7091  
Fax: 027 - 2508225/2508344

Branch Director,  
BOT Mbeya,  
P.O Box 1203  
Tel: 025 - 2503321-5  
Fax: 025 - 2502844

Branch Director,  
BOT Zanzibar,  
P.O Box 568  
Tel: 024 - 2232140  
Fax: 024 – 2230415

Branch Director,  
BOT Mwanza,  
P.O Box 1362  
Tel: 028 - 2500313/2500315-8  
Fax: 028 – 250074

**BOT-FORM-TBI**

Name (PRINT) .....  
Address .....  
Correspondent Bank .....  
Account No .....  
Tel. No .....  
Date .....

Governor,  
Bank of Tanzania,  
P.O. BOX 2939,  
Dar es Salaam.

Dear Sir,

**Re: TENDER FOR PURCHASE OF TREASURY BILLS  
AUCTION NO.....TO BE HELD ON.....**

I/We hereby tender for the purchase of.....  
Treasury Bills worth Shs.....  
(in words).....  
a price of.....  
per Shs. 100.00.

If bidding on behalf of a client, please state client's full name and address

Name .....  
Address .....

I/We undertake to pay the price of the bidded Treasury Bills upon receipt of your notification that this bid has been successful and that the securities shall be delivered into my/our securities holding account.

Date                      Authorised Signatory                      Authorised Signatory

\_\_\_\_\_                      \_\_\_\_\_                      \_\_\_\_\_  
All forms should be officially stamped

**BOT-FORM-TB2**

Name (PRINT) .....  
Address .....  
Correspondent Bank .....  
Branch .....  
Account No .....  
Tel. No. ....  
Date .....

Governor,  
Bank of Tanzania,  
P.O. BOX 2939,  
Dar es Salaam.

Dear Sir,

**Re: TENDER FOR PURCHASE OF TREASURY BILLS  
AUCTION NO.....TO BE HELD ON.....**

I/We hereby tender for the purchase of .....  
days Treasury Bills worth Shs .....  
(in words).....  
at a price of .....  
per Shs. 100.00

I/We undertake to pay the price of the bid Treasury Bills upon receipt of your notification that this bid has been successful and that the securities shall be delivered into my/our securities holding account.

Date	Authorised Signatory	Authorised Signatory
_____	_____	_____

**TRANSFER FORMS**

**Transfer Form for Treasury Bills3**

1. Dealer’s (Seller\*) Name

2. Dealer’s (Buyer\*) Name

3.1 Dealer’s (Seller\*) Code No.

3.2. Dealer’s (Buyer\*) Code No.

4. On Behalf of Dealer’s (Seller\*) Customer Yes  No

4.1 If Yes then, Customers’ details

Name .....

4.2 If No then, it’s on Dealer’s (Seller\*) holding (own) account

5. On Behalf of Dealer’s (Buyer\*) Customer Yes No

5.1 If Yes then, Customers’ details.

Name .....

5.2 If No then, it’s on Dealer’s (Buyer\*) holding (own) account

6. Securities Ref. No.

7. Value Date.

8. Face Value

9. Price/ Rate.

10. Discounted Amount.

11. Nature of Transaction.  Outright Purchase  
 Collateral

12. If you are buying delete 12.1 and if you are selling delete 12.2

12.1 Dealer (Seller)

I/We the Seller(s) authorize the Bank of Tanzania to transfer the stated bill(s)/bond (s) from my account/my Client’s account to the Buyer’s own/Buyer’s Client Account

3 To be completed in triplicate

12.2 Dealer (Buyer)

I/We the Buyer(s) undertake to pay for the discounted amount from my/our current account to the Seller's current account.

Date                                      Authorised Signatory                                      Authorised Signatory

\_\_\_\_\_

<b>For BoT Official Use Only</b>	<b>Transaction Ref. No.</b>
<b>A. DOMESTIC MARKETS DEPARTMENT</b>	
Date/Time Received.....	Received by.....
Received by.....	Approved By.....
Verified by.....	Received By.....
<b>B. DOMESTIC ACCOUNTS DEPARTMENT</b>	
Date/Time Received.....	Approved By.....
Received by.....	Holdings Transfer Effected by
Verified By.....	.....
Entry Passed By.....	

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

**TREASURY BILLS PROSPECTUS  
TREASURY BILLS AUCTION NUMBER 662  
INVITATION TO TENDER ON 02 AUGUST 2006**

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:

<b>1. Issuer</b>	United Republic of Tanzania
<b>2. Maturities/Amount</b>	35 days up to TZS 1,500.00 Million 91 days up to TZS. 10,500.00 Million 182 days up to TZS 15,500.00 Million 364 days up to TZS 12,500.00 Million
<b>3. Auction date</b>	Wednesday 09 <sup>th</sup> August 2006
<b>4. Procedure for bidding</b>	Tender forms should be submitted and placed in boxes located at the reception area of the Head Office, 10 Mirambo Street Dar Es Salaam or in the Bank's Branches in Mwanza, Arusha, Mbeya and Zanzibar before 11.00 a.m on auction date.
<b>5. Price per TZS 100</b>	To be quoted at a discount to two (2) decimal places.
<b>6. Minimum bid size</b>	TZS 500,000 when bidding through Primary Dealers and TZS 5,000,000 for direct bidders, in multiples of TZS 10,000
<b>7. Settlement date</b>	11 <sup>th</sup> August, 2006

<b>8. Auction results</b>	Auction results shall be made available at the Bank's Head Office and Branches' Notice Boards located at the Reception area and on the Bank's Website immediately after the auction.
<b>9. Form of issuance</b>	Book entry system.
<b>10. Redemption date</b>	Redemption dates 35 – Day 14/09/2006 91 – Day 09/11/2006 182 – Day 08/02/2007 364 – Day 09/08/2007
<b>11. Tax</b>	Interest income is subject to 10% withholding tax
<b>12. Currency</b>	Tanzania Shillings (TZS)
<b>13. Defaulters</b>	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, 10 Mirambo Street,  
P. O. Box 2939, Dar es Salaam  
Tel: 2233481-90, 2233473-4; Fax: 2234049  
and [www.bot-tz.org](http://www.bot-tz.org)









**Bank of Tanzania,  
P.O Box 2939, Dar-es-Salaam**