



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





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# **TREASURY BONDS MARKET IN TANZANIA**

## **1.0 INTRODUCTION**

The Bank of Tanzania as a banker and fiscal agent of the Governments<sup>1</sup> issues Treasury bonds on behalf of the Governments. Treasury bonds are debt instruments issued by the Governments in exchange for money borrowed from the public. Treasury bonds are long-term securities with maturity longer than a year. Treasury bonds are issued for offsetting fluctuations between receipts from the budgeted revenues and payments of the Governments. Treasury bonds 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 bonds 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 bonds 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 bonds for the first time on a monthly basis. Subsequent sales and purchases of Treasury bonds 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 bonds 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 bonds 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 bonds transactions through the Central Depository System (CDS). Treasury bonds holdings are processed and stored electronically. No physical certificates are issued.

## **3.0 AUCTION AND TENDERING PROCEDURES**

The Bank of Tanzania issues Treasury bonds in four maturities namely 2, 5, 7 and 10 years. These are issued at fixed interest rate (coupon) and quoted at premium, par value or discount price.

### **3.1 Issuance Plan**

The Bank shall issue Quarterly Auction Schedules depicting the issuance plan through the media and on the website once a quarter. The Quarterly Auction Schedule will show amount to be offered for sale and proposed auction dates.

### **3.2 Call for tender**

A press release that is also a prospectus (annex IV) shall be issued one week before each auction.

### **3.3 Submission of tender forms**

Primary dealers and their clients shall use tender form **BOT-FORM-GB1** for Treasury bonds (annex I) while direct investors shall use tender form **BOT-FORM-GB2** (annex II). These forms can be obtained from the Bank of Tanzania Head office, Branches, BOT website (<http://www>.

bot-tz.org) and from the Primary Dealer's offices.

The minimum bid amount for Treasury bonds shall be TZS. 1,000,000 face value in multiples of TZS. 100,000. Bidders are allowed to submit multiple bids for every maturity at different prices.

Prices shall be quoted at a Premium, Par or Discount to four 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.**

### **3.4 Allocation to successful bidders**

In allocating bids, the Bank of Tanzania shall use the computerized auction system known as Government Securities System (GSS). The System uses multiple price system to allocate Treasury bonds 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 bonds 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.

### **3.5 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 shall also display the auction results at their respective offices.

Successful bidders shall obtain result details (bid codes) from the Bank of Tanzania Head Office immediately after the announcement of the results. The bid codes shall be used as a reference for payment for Treasury bonds through TISS.

## **4.0 SETTLEMENT**

### **4.1 Settlement of the successful bids**

- Successful bidders shall settle for Treasury bonds one day after the auction (T+1).
- Direct Investors and broker dealers shall pay through commercial banks (correspondent banks).
- Successful bidders shall provide to the Bank of Tanzania particulars of their accounts with their correspondent banks to facilitate payments for interest and redemption proceeds.
- The Bank of Tanzania shall debit the accounts of Commercial banks that are not TISS members, and Non-bank financial institutions.
- 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 bonds shall be made available upon request.

### **4.2 Payment of Interest and Redemption proceeds**

- On semiannual basis, investors in Treasury bonds shall be paid accrued interest proceeds that will be computed based on the coupon rate of the bond she/he holds.
- On maturity, investors shall be paid the par value plus the last accrued interest of the bond they hold.
- 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 that are non-TISS members, and Non-bank financial Institutions, the Bank shall credit their respective accounts.

#### **4.3 Withholding Tax**

- Income earned from investment in two-year Treasury bonds shall be subjected to withholding tax while income on investment in 5 year, 7 year and 10 year shall be exempted from withholding tax as per the Government's regulations set from time to time.
- All participants exempted from paying withholding tax shall provide to the Bank of Tanzania tax exemption certificates from Tanzania Revenue Authority (TRA).

#### **5.0 TRADING OF TREASURY BONDS IN THE SECONDARY MARKET**

- Treasury bonds are listed at the DSE.
- Secondary trading of Treasury bonds shall take place at the Dar Es Salaam Stock Exchange (DSE). Investors wishing to buy or sell Treasury bonds shall approach the DSE through registered broker-dealers in order to obtain details pertaining to trading procedures.
- Whenever trading shall take place, DSE shall provide to the Bank of Tanzania trading details. Broker dealers shall oblige investors (sellers and buyers) to fill in the securities transfer form **BOT-FORM-TF** (annex III) in triplicate. The Bank of Tanzania shall use these transfer forms to update CDS, with respect to the existing and new holders of the bonds.

#### **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

**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.

**Broker:** A person who intermediates between buyers and sellers, usually charging a commission.

**Broker-dealer:** An individual or organization licensed by the Capital Markets and Securities Authority (CMSA) to trade on own account and on behalf of clients.

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

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

**Collateral Account:** Record of securities pledged as collateral in a transaction kept by Domestic Markets Department at the Bank of Tanzania.

**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.

**Direct Investor:** A non-Primary Dealer participating with bids of at least TZS 5,000,000/= per bid.

**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

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

**Maturity:** The date when the Treasury 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

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

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

**Primary Dealer:** 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.

**Primary market:** Sale of new issues of government securities.

**Secondary market:** Sale and purchase of Treasury 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 securities 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:**

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

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

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

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

**BOT – FORM-GB I**

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

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

**APPLICATION FORM FOR TREASURY BONDS**

I/We tender for Treasury bonds with the following specifications:

ISSUE NO.....  
AUCTION DATE.....  
FACEVALUE TZS.....  
AMOUNT IN WORDS.....  
BID PRICE.....

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 bid Treasury Bonds 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-GB2**

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

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

**APPLICATION FORM FOR TREASURY BONDS**

I/We tender for Treasury bonds with the following specifications:

ISSUE NO.....  
AUCTION DATE.....  
FACEVALUE TZS.....  
AMOUNT IN WORDS.....  
BID PRICE.....

I/We undertake to pay the price of the bidded Treasury Bonds 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

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**Transfer Form for Treasury Bonds<sup>3</sup>**

- 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

<sup>3</sup>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                                      Authorized Signatory      Authorized Signatory

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<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.

**SAMPLE**

**Annex IV**

**TREASURY BOND PROSPECTUS  
7.82% 2-YEAR FIXED RATE TREASURY BOND  
ISSUE 255 AUCTION 3  
TO BE HELD ON JUNE 21, 2006**

**An opportunity to invest in the United Republic of Tanzania 2-year fixed rate Treasury bonds.** The Bank of Tanzania as a fiscal agent for the United Republic of Tanzania invites bids for the above bond of which terms and conditions are as follows:-

1. **Issuer** United Republic of Tanzania
2. **Amount** TZS 4.0 billion
3. **Procedure for bidding** 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
4. **Auction date** June 21, 2006
5. **Settlement date** June 22, 2006 (T+1)
6. **Form of issuance** Book entry system
7. **Price per TZS 100** To be quoted at premium, par or discount to four (4) decimal places.  
**Prices must include accrued interest of TZS. 1.1784**

8. **Auction results** 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.
9. **Minimum bid size** TZS 1,000,000 when bidding through Primary Dealers and TZS 5,000,000 for direct bidders in multiples of TZS 100,000.
10. **Interest payment date** First interest date: 26 October
11. **Coupon** Fixed at 7.82% p.a.
12. **Day count convention** Actual/365
13. **Tax** Interest income is subject to 15% withholding tax
14. **Currency** Tanzania Shillings (TZS)
15. **Redemption date** April 27, 2008
16. **Listing** The bonds will be listed on the Dar es Salaam Stock Exchange
17. **Trading** Secondary trading in multiples of TZS 100,000 to commence on Tuesday June 27, 2006.

## 18. **Defaulters**

Successful bidders who will fail to honour 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**