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NEW FOREIGN EXCHANGE REGULATIONS 2022 "the new Regulations retains the liberal foreign exchange regime"

The Bank of Tanzania ("the Bank") has recently published new Regulations, the Foreign Exchange Regulations, 2022 ("the Regulations") made under section 6(1) of the Foreign Exchange Act (Cap 217 R.E. 2002) ("the Act"). The new Regulations have introduced some significant changes but at the same time confirmed previous directives from circulars issued by the Bank addressing, *inter alia*, matters relating to dealing in current account transactions, foreign currency and gold, inward and outward capital and financial account transactions.

Briefly, some of the issues to note under the Regulations are:

- Non-residents of Tanzania are now permitted to purchase any amount of foreign currency from a bank, financial institution or bureau de change;
- Tanzanian residents are prohibited from opening and operating an account outside Tanzania, except for settlement of securities or only by permission of the Governor;
- The Regulations restricts travel both into and from Tanzania, with an amount exceeding or equivalent to USD 10,000 by imposing an obligation to declare such amounts to the relevant authorities such as at the airport and/or border control;
- The Regulations prohibits non-residents from the purchase, sale or transfer of government securities unless he/she is a resident of a prescribed territory or a citizen of Tanzania in the diaspora.
- Foreign credit accommodation to residents with a tenure of 365 days or more must be registered with the Bank within fourteen (14) days of execution of the Facility Agreement and assigned a Debt Registration Number. A new penalty for non-compliance with this requirement has been introduced;
- The Regulations revoke the Foreign Exchange Regulations of 1998 and the Foreign Exchange (Listed Securities) Regulations of 2003.

Brief Summary:

1. The Regulations permit any person, whether a resident or non-resident, to hold, sell and purchase foreign currency from a bank, financial institution or bureau de change, or to open and maintain a foreign currency account with a bank or financial institution within Tanzania. Nevertheless, the Regulations pose a restriction when trading foreign currency outside the interbank foreign exchange market. This means that banks and/or financial institutions operating within Tanzania are allowed to exchange foreign currencies whether directly or through electronic platforms, but when such exchange is done with a bank operating outside Tanzania, it will be carried out as prescribed by the Bank. The Regulations also prohibits banks and financial institutions from buying foreign currency from an exporter with whom it has no account relationship. This is consistent with the Bank's Circular, "Directives on Foreign Exchange Operations" which was effected on 7th August 2020, which emphasizes the significance of maintaining account relationships.
2. The Regulations have maintained previous restrictions under the Bank circulars by continuing to prohibit residents of Tanzania from opening and maintaining foreign bank accounts, unless the same have been authorized by the Governor of the Bank or the foreign account is for settlement of securities. Tanzanian residents are also prohibited from issuing guarantees as security against foreign credit accommodation, where the tenure of the foreign lending exceeds 365 days.

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a firm of dedicated lawyers enjoying noticeable and prominent presence in the private legal practice industry in Tanzania.

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3. In order to facilitate cross border trade, the Regulations permit the expatriation and receipt of foreign currencies in Tanzania from neighboring countries provided this is done per the directives of the Bank.
4. The Regulations permit outward remittances by any person in Tanzania provided it is done through a bank, financial institution or a mobile money operator. Outward remittances can be undertaken upon fulfilling certain supporting documents depending on the purpose for which such remittance is made. For example, when it comes to remittances by expatriates, banks and financial institutions are required to obtain from the applicant relevant employment contracts and work permits. A mobile money operator on the other hand can make outward remittances within the prescribed territory without supporting documents, provided reasons for remittance are provided and such remittance does not exceed the limit amount per transaction per day as prescribed by the relevant authorities.
5. The Regulations allow for residents to access foreign credit accommodation. All foreign credit accommodation with a tenure exceeding 365 days must be registered with the Bank within fourteen (14) days from the date of execution of a facility agreement. Failure to register the foreign credit accommodation as prescribed under the Regulations attracts a penalty fee of Tanzania Shillings One Million (TZS 1,000,000.00) to be imposed on the borrower for each day the facility agreement remains unregistered. The penalty imposition is a new provision by the Regulations.
6. In relation to outward direct investment and acquisition of real estate, a Tanzanian resident may remit funds for the purpose of engaging in the same if the investment is undertaken in the prescribed territory, the remittance is effected through a bank or financial institution and relevant supporting documents are submitted to the bank for financial approval. Should the resident wish to engage in outward direct investment and acquisition of real estate outside the prescribed territory, prior approval must be sought from the Bank.

Please note that these Regulations have been introduced in Tanzania as a continued best practice by the Bank to ensure maintenance of monetary policy. In this case, for example, matters concerning foreign exchange are implemented by the Bank as a means to facilitate the ongoing development of the Tanzanian economy. As the Banking and Finance sector continues to grow, the foreign market and its investment opportunities are beneficial to the industry's progression. Therefore, in order to safeguard the stability of the Tanzanian financial system, legal compliance with the rules, regulations and directions issued by the Bank is fundamental. For more details on other provisions of the Regulations, on issues such as dealing with financial securities, coupons, participatory rights in collective investment schemes, export transactions and requirements of opening bank accounts by exporters in Tanzania etc., please reach out to us on the contact details provided in this summary update.



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