

**EXECUTIVE
BOARD
MEETING**

SM/18/260

Correction 2

November 16, 2018

To: Members of the Executive Board

From: The Secretary

Subject: **United Republic of Tanzania—Financial System Stability Assessment**

Board Action: The attached correction to SM/18/260 (11/5/18) has been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of
Staff's Analysis or
Views**

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Questions:

Mr. Catalan, MCM (ext. 34372)

50. Extraordinary powers may be required to maintain financial stability in a crisis.

Although the authorities have some resolution powers that can be used in systemic crisis situations, there should be a more comprehensive framework that provides for prompt resolution. This can include powers to inject capital, make asset purchases, provide loans or guarantees to weak systemic banks, protect uninsured depositors and creditors, and even nationalization. The authorities may wish to consider passing a financial stability law in advance or to have one drafted for emergency passage when needed. The latter may eliminate the temptation to misuse emergency powers; e.g., providing open bank assistance inappropriately, if an existing law permits it.

E. Tackling NPLs

51. Legal and tax issues are decreasing the efficiency of enforcement and insolvency processes, which impedes NPL resolution. While Tanzania has made significant progress in modernizing many of the laws governing the enforcement of security and the insolvency framework, difficulties in their implementation and use contribute to inadequate NPL resolution. It is recommended that a multi-stakeholder working group be established to identify mechanisms to ensure that the legal and tax framework supports efficient NPL resolution, including channeling a larger percentage of corporate NPL cases through the Commercial Division of the High Court; ~~modifying the role of regional commissioners in the enforcement process;~~ ensuring proper incentives for banks to pursue enforcement and liquidation claims; improving the insolvency law and increasing its use to facilitate restructuring of viable enterprises; and introducing voluntary out-of-court workout guidelines for multi-creditor situations; among others.

FINANCIAL INTEGRITY AND CYBER RISK**A. AML/CFT**

52. Tanzania has addressed most of the deficiencies identified by the 2009 assessment of its anti-money laundering and combating the financing of terrorism (AML/CFT) framework against the previous standard. This has enabled it to exit monitoring by the Financial Action Task Force (FATF) that was triggered subsequent to the 2009 assessment. The shortcomings identified previously included insufficient criminalization of money laundering (ML) and incomplete customer due diligence measures, as well as the lack of: a mechanism to identify and freeze terrorist assets, a functioning financial intelligence unit (FIU), and the designation of competent authorities to monitoring the implementation of AML/CFT measures by reporting entities. Since then, Tanzania has made important progress, notably by amending the AML/CFT legislation and establishing an FIU.¹⁸

53. Measures were also taken under the current standard, but shortcomings remain.

The authorities assessed the ML/TF risks that the country faces with the assistance of the World Bank. The National Risk Assessment (NRA) was conducted from September 2015 to December 2016.

¹⁸ The 2009 assessment was conducted by the Eastern and Southern Africa Anti-Money Laundering Group, (the FATF-style regional body of which Tanzania is a member) against the previous standard (the FATF 2003 40 + 9 Recommendations). Tanzania's assessment against the current AML/CFT standard (the FATF 2012 Recommendations) is scheduled to take place in June 2019.