

# The Bank of Tanzania Approves Various Policy Measures to Cushion the Economy from Adverse Effects of COVID-19

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On 8th May 2020 the Monetary Policy Committee of the Bank of Tanzania met and approved various policy measures to cushion the economy from adverse effects of COVID-19 pandemic following assessment of the impact on various sectors.

The Bank of Tanzania (“BoT”) policy measure approved the following:

- To lower the Statutory Minimum Reserve requirement from 7 to 6% effective 8th June 2020 - this will provide additional liquidity to Banks.
- To reduce the discount rate from 7 to 5% effective 12th May 2020 - this will provide additional space for banks to borrow from the BoT at a lower cost thus signaling lower lending rates;
- To reduce haircuts on government securities from 10 to 5% for treasury bills and 40 to 20% for treasury bonds effective 12th May 2020 – this will increase the ability of banks to borrow from the BoT with less collateral than before.
- Banks and financial institutions have been instructed to thoroughly assess financial difficulties experienced by borrowers due to COVID-19 in respect to loan repayment and discuss on possibility of restructuring the loans (repayment moratorium) and grant loan rescheduling thereto on a case to case basis. The BoT will provide regulatory flexibility to banks and financial institutions that will carry this out instruction in a transparent and impartial manner;
- Mobile money operators to increase daily transactions limit from TZS 3,000,000/= to TZS 5,000,000/= and their daily balance from TZS 5,000,000/= to TZS 10,000,000/=. This

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**ALERT MEMORANDUM**

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aimed to encourage customers use digital payment platforms consequently reducing congestions in banks premises. Banks are also advised to encourage their customers to use digital payment platforms such as online banking and point of sale systems;

The aim of the above measures is to safe guard the financial sector stability and continue facilitating intermediation process.