

**MODULE 4 :**  
**REGULATING AND**  
**SUPERVISING THE**  
**INDUSTRY**

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# ● Why Regulate ?

- Protect depositors and/or investors
- Avoid systemic risk
- Ensure stability of financial sector
- Foster public confidence in the sector

# ● Underlying Principles

- Accommodating legal framework
- Ensurance of level playing field
- Universal prudential rules for similar activities
- Independence of the supervisory authority
- Flexibility of the supervisory authority
- Capacity to enforce regulations

# ● Possible Institutional Arrangements

- Multi-level
- Delegated
- Self Regulation

# ● KEY PLAYERS

- MFIs
- Banks & NBFIs
- Schemes/Programmes
- Donors
- Government/Central Bank

# ● Existing Framework

- Banking and Financial Institutions Act 1991 and Bank of Tanzania Act 1995
  - Banks
  - Non-bank financial institutions
  - Regional, district and community banks
  - Other financial intermediaries
  - BOT's role
  - Regulations, guidelines & circulars

- Existing Framework (con't)
- Cooperative Societies Act, 1991
  - SACCOs
  - Cooperative Schemes
  - Creation of economic opportunities
- Association Act, Companies Ordinance and Other supervisory Arrangements
  - NGOs
  - Self-help groups
  - government & donor schemes/projects

# ● Government Initiatives

## ● National Policy

- MF integral part of financial system
- Prudential rules for similar activities
- Accommodation of special features
- Regulation of deposit taking organizations
- Minimum size

- Review of Legal, Regulatory & Supervisory Framework

- Task Force

- Local Ownership

- Participatory

- Stakeholders buy-in

# ● Issues

- Integrated policy - financial and non-financial aspects
- Integration of MF operations in Banking Act.
- Separate Legislation
- Separate regulations
- Risk-based regulation
- Use of collateral
- Governance and ownership

# ● Lessons

- Policy formulation process important
- Need to define Government role
- Stakeholders buy-in
- Local ownership
- Inadequate institutional capacity
- Dat a generation capacity inadequate
- Variety of institutions and methodology complicates regulation
- MFIs not miniature banks/NBFIs