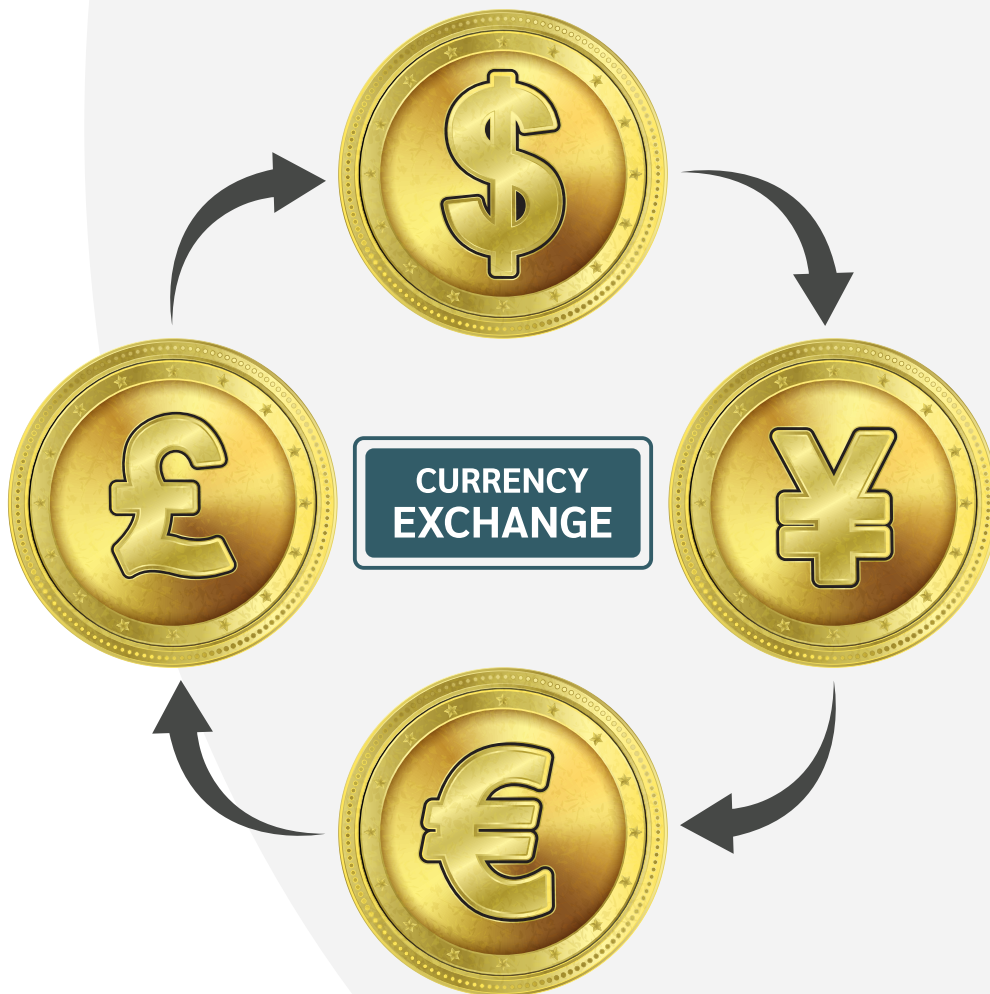




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# ALERT ON THE COMMENCEMENT OF THE NEW **FOREIGN EXCHANGE (BUREAU DE CHANGE) REGULATIONS**



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# INTRODUCTION



The bank of Tanzania (BoT) has introduced the Foreign Exchange (Bureau de Change) Regulations of 2023, which came into effect on the 6th Day of October 2023 and revokes the Foreign Exchange (Bureau de Change) Regulations of 2019.

The new regulations require all bureaux de change licensed by the Bank of Tanzania (BoT) to operate in Tanzania to henceforth fully comply with the 2023 Regulations.

## DEFINITION OF TERMS

The New Regulations define “spot transaction” as a sale or purchase of foreign currency of which settlement is made within the same day using cash, bank, financial institution, mobile money operator or any other means approved by the BoT.

Also defined under the regulations are the following:

**Bureau de change business:**

means the business of exchanging foreign currencies and any other financial related activities permitted under the Act and these Regulations.

**Class A bureau de change:**

means a foreign or locally owned bureau de change licensed by the Bank to deal with spot transactions, money transfer and other financial services related activities.

**Class B bureau de change:**

means bureau de change with one hundred percent local shareholding licensed to deal with spot transactions.

**Class C bureau de change:**

means a bureau de change established in a hotel to deal with spot transactions to the hotel’s customers only.

Further, a bureau de change is required to always maintain a working capital equivalent of not less than 70% of its owners’ equity.

# LICENSE REQUIREMENTS, KEY PROHIBITIONS AND ELIGIBILITY CRITERIA UNDER THE NEW REGULATIONS.

Engaging in a bureau de change business without a valid license issued by the BoT remains prohibited, as stipulated in Regulation 3 of the 2023 Regulations. Violating this requirement constitutes a criminal offence which attracts a penalty of TZS 4 million (~USD 1,600), or imprisonment for a term of up to 14 years, or a combination of both.

## **Naming Requirements and Ownership and Name Changes.**

Eligibility for a bureau de change license is extended to entities that meet specific criteria, including being a company limited by shares or a hotel incorporated under the laws of Tanzania Mainland or Zanzibar.

Licensees must include the terms "bureau de change," "forex bureau," or "foreign exchange bureau" in their business name. In the event of change of name, it should be registered with the Registrar of Companies and thereafter notified to the BoT within 14 days from the date of registration. Any change of ownership must be granted prior approval by the BoT and thereafter the licensee is required to notify the BoT within 7 days after such change is registered with the Registrar of Companies.

# CLASSIFICATION OF BUREAU DE CHANGE LICENSES.



**The 2023 Regulations introduce 3 classes of bureau de change licenses:**

**Class A:** this license allows the licensee to deal in spot transactions, money transfer and other financial services related activities (such as agency banking and mobile money agency business). It can be granted to either local or foreign owned entities. Minimum capital required is TZS 1 billion (~USD 400,000) for majority foreign owned entities and TZS 500 million (~USD 200,000) for majority local owned entities.

**Class B:** this license allows the licensee to deal with spot transactions only and requires 100% local shareholding. Minimum capital required is TZS 200 million (~USD 80,000).

**Class C:** this license can only be granted to hotels and allows the licensee to deal with spot transactions only with customers of the hotel.

## CONCLUSION.

With regard to the applicable fees the Regulations require an annual license fee of TZS 500,000 (~USD 200) for each operating Class A and Class B bureau de change.

This signifies a substantial reduction from the previously levied fee of TZS 1 million (~USD 400) as outlined in the 2019 Regulations. As for Class C bureau de change, there is yet still no clarity regarding license fees since the new regulations are still silent on the same.

Beyond everything else the new regulations now clearly distinguish the various categories of bureaux De Change and does away with the confusion that previously existed.



**LYSON LAW GROUP**  
Advocates & Legal Consultants



+255 742 850 702



[info@lysonlaw.co.tz](mailto:info@lysonlaw.co.tz)



Plot No. 1826/76, house no. 6,  
Masaki, Bandari Road, Off-Kahama Road,  
P.O Box 79395, Dar es Salaam, Tanzania.

[www.lysonlaw.co.tz](http://www.lysonlaw.co.tz)