



**GUIDANCE NOTE ON CHANGE OF OWNERSHIP, LEASE OF LICENCE
AND CLOSURE OF BUSINESS BY TIER 2 MICROFINANCE SERVICE
PROVIDERS, 2025.**

BANK OF TANZANIA

JANUARY 2025

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1.0 Introduction

The Microfinance Act of 2018 mandates the Bank of Tanzania to license, regulate and supervise Microfinance Institutions including Tier 2 Microfinance Service Providers (Non-deposit Taking Microfinance Institutions). In exercising its supervisory role, the Bank of Tanzania observed instances where microfinance service providers ceased operations, whether permanently or temporarily, or transferred ownership. While some microfinance service providers submitted notifications to the Bank regarding their closure or intent to close, others did not inform the Bank and, in some cases, affected changes in their shareholding structure without seeking and obtaining prior approval from the Bank. These practices posed supervisory challenges, including discrepancies in establishing the correct number of active participants in the market.

As part of its mandate as prescribed under Section 12 of the Act, the Bank of Tanzania is hereby issuing this Guidance Note on Change of Ownership, Lease of Licence, and Closure of Business by Tier 2 Microfinance Service Providers, 2024. The Guidance Note outlines the necessary procedures to be followed when a Tier 2 Microfinance Service Provider intends to change ownership or close business operations. It is designed to ensure that such operations are conducted in a manner that protects the rights and interests of customers, employees, shareholders, lenders and other relevant stakeholders, while preserving the integrity and stability of the microfinance sub-sector.

Application

This Guidance Note shall apply to Tier 2 Microfinance Service Providers operating in Tanzania Mainland.

Citation

This Guidance Note may be cited as Guidance Note on Change of Ownership, Lease of Licence and Closure of Business by Tier 2 Microfinance Service Providers, 2025.

2.0 Definition

“Act” means the Microfinance Act, 2018.

“Bank” means the Bank of Tanzania.

“Foreign owned Microfinance Service Provider” means a Microfinance Service Provider incorporated in Tanzania and whose majority owners or shareholders are foreigners.

“Microfinance Service Provider” means an entity or a person registered or licenced to undertake microfinance business under the Act including non-deposit taking Microfinance Service Providers as classified under section 5 of the Act.

“Change of Ownership” refers to any transaction or event that results in the change of ownership structure or control of the MSP, which could be inform of sale or transfer of shares to a new shareholder.

“Temporary closure of business” refers to cessation of business operations for a period not exceeding six (6) months.

“Permanent closure of business” refers to the cessation of business operations other than temporary closure.

3.0 Closure of Microfinance Business

A Microfinance Service Provider intending to close business operations, whether permanently or temporarily, shall, at least seven (7) days before the closure of business, notify the Bank in writing stating the reasons for closure.

A notification for the permanent and temporary closure of the microfinance business shall be made through a formal letter signed by the chairperson of the governing body or the sole proprietor of the entity and in the format set out in **Annexure 1**.

3.1 Temporally Closure of Microfinance Business

This happens when a Microfinance Service Provider ceases business operations for a period not exceeding six (6) months.

A Microfinance Service Provider intending to close its business operations temporarily shall:

- a) Notify customers and employees at least seven days before the closure. This can be done through direct communication (letters, emails, phone calls or SMS) and public announcements at the place of business, website, newspapers or social media;
- b) Provide a means by which existing borrowers or creditors (if any) can continue to service their debts; and
- c) Continue to submit periodic reports to the Bank during the closure period.

3.2 Permanent Closure of Microfinance Business

This happens when a Microfinance Service Provider ceases business operations for a period exceeding six (6) months.

- a) Before submission of notification letter for permanent closure of business, a microfinance service provider shall ensure that the following conditions are met:
 - i. Notify all customers, creditors and employees at least 30 days prior to the planned date of closure. This can be done through direct communication (letters, emails, phone calls or SMS) and public announcements at the place of business, website, newspapers or social media, producing proof of notification. Notification to existing customers shall include details of intended transfer to another entity, if any;
 - ii. Discharge, deregister and return all collaterals pledged by

borrowers, including savings upon full settlement of outstanding obligations. Additionally, ensure smooth collateral transfer when a portfolio is transferred to another lender;

- iii. Settle all statutory obligations and pending liabilities including employees' benefits, creditors and tax liabilities, and any other obligations.
 - iv. Establish formal agreements with creditors for obligations which are agreed to be settled period after the closure of business; and
 - v. Establish a mechanism to handle institution matters within three months after surrendering of licence by the Bank of Tanzania. This shall include details of contact person to customers and other stakeholders to engage a microfinance service provider.
- b) Where a MSP ceases business operations for more than nine (9) months without notifying the Bank, the Bank will initiate licence revocation process.
- c) A notification letter referred to under Guidance Note 3.0 above shall be accompanied by: -
- i. Board resolution authorizing closure of business, in case of a company;
 - ii. The original Bank of Tanzania Licence;
 - iii. List of outstanding loans indicating amount and maturity period;
 - iv. Declaration of securities pledged by borrowers charged under the name of MSP. This includes the name of the borrower, security specifications and authorities where the security was charged or perfected);
 - v. For the securities perfected, provide a way forward to discharge security perfection; and

- vi. Proof of public notice or announcement for closure of business operations and proof of notification to customers and employees.

3.3 Post-closure of Business Operations

A microfinance service provider who has surrendered licence to the Bank, shall adhere to the following conditions: -

- (a) not to engage in microfinance business activities using the surrendered microfinance business licenced issued by the Bank of Tanzania;
- (b) Collect the outstanding loans granted to customers for a maximum period of three (3) months; and
- (c) securely handle customers' personal data and credit relationship records in line with the Personal Data Protection Act and its regulations.

A Microfinance Service Provider who has permanently closed business but wishes to re-engage in microfinance business shall apply for a licence to the Bank and submit all the required information as stipulated in the microfinance regulations.

4.0 Change in Shareholding Structure

A Microfinance Service Provider who intends to effect any changes in its shareholding or ownership structure shall seek and obtain prior approval from the Bank of Tanzania.

Subject to guidance note 4.0 above, a request for approval of changes in Shareholding or ownership structure shall be made through a formal letter stating the reason for the change of ownership structure in the format set out in **Annexure 2**.

The Chairperson of the Governing body or Sole Proprietor shall sign the request for approval letter and shall be accompanied by: -

- (i) A declaration of the source of capital and that the funds have not been obtained criminally or associated with any criminal activity. The

declaration of source of capital shall be as prescribed in **Annexure 3**;

- (ii) Proof of source of capital for foreign owners or shareholders. A dully filled out a questionnaire prescribed in the **Annexure 4**.
- (iii) Board resolution authorizing change of ownership or sale of a company;
- (iv) Credit reference reports of the new shareholder(s)
- (v) Upon approval of the Bank, the MSP shall register the change to the respective authority and submit evidence within seven (7) days after the completion of registration.

5.0 Transfer or lease of a License

A license issued by the Bank of Tanzania shall not be transferrable. A microfinance service provider shall not transfer a license to another person or company or, lease or share the license or enter into a partnership with another person to conduct microfinance business without prior approval of the Bank.

6.0 Administrative Measures

A microfinance service provider contravening the requirements of this Guidance Note shall be subjected to the administrative measures as stipulated in the Microfinance Act and its regulations.

ANNEXURE

ANNEXURE 1

(Made under Guidance Note 4.0)

The Governor,
Bank of Tanzania,
P.O. Box 2939,
Dar es Salaam,
TANZANIA.

Re: Notification for Closure of Microfinance Business

Sir,

I/We, the undersigned hereby notify the Bank of Tanzania our intention to close permanently/temporarily the Microfinance Business of _____ with its principal place of business Located at _____ Street, _____ District, in _____ Region, due to _____ (indicate the reason for closure of microfinance business).

In support of this notification, I/We submit herewith the documents including Board resolution authorizing closure of business, the original Bank of Tanzania's Licence and List of outstanding loans indicating amount and maturity period as required by *the Guidance Note on change of ownership and closure of business by Licenced Microfinance Service Providers, 2024*.

Yours faithfully,

.....

Signature of the Applicant or Authorized Officer

ANNEXURE

ANNEXURE 2

(Made under Guidance Note 7.0)

The Governor,
Bank of Tanzania,
P.O. Box 2939,
Dar es Salaam,
TANZANIA.

Sir,

Re: Request for Change of Ownership

I/ We, the undersigned, being the legal owner(s) of _____ wish to inform you that _____ shares (Number of shares) of the Company which were being held by _____ (Name(s) of preceding owner(s)) are requested to be transferred to _____ (Name of proceeding owner) effective from _____ upon approval of the Bank.

I/ We hereby request the Bank of Tanzania to kindly consider the review and transmission of the aforesaid shares and the new shareholders be considered as the legal owners of the _____ (Name of Microfinance entity). In support of this notification, I/We submit supporting documents as required by *the Guidance Note on change of ownership and closure of business by Licenced Microfinance Service Providers, 2024.*

Yours faithfully,

Signature of the Applicant or Authorized Officer

ANNEXURE 3

DECLARATION OF SOURCE OF CAPITAL

I,adult being shareholder/proprietor of
(Name of Microfinance Service Provider) of P. O. Box.....do solemnly state and declare as follows:

1. That, I am the shareholder/proprietor of(Name of Microfinance Service Provider) duly incorporated/ registered under the laws of Tanzania.
2. That, by virtue of being shareholder or proprietor I am required to contributeShillings being payment of shares or contribution in(Name of Microfinance Service Provider)
3. That, as per licensing requirements to operate as Tier 2 Microfinance Service Provider, I undertake to state and declare that the amount paid or contributed in form of shares or contribution was obtained from legitimate source.
4. That, the legitimate source(s) of fund referred under paragraph 3 include the following:
 - (a)
 - (b)
 - (c)
5. That, for the purpose of paragraph 4, I hereby enclose as proof of source of funds to that effect (for foreign applicant / owner).

VERIFICATION

That, I hereby verify and declare that, what is stated in paragraph 1 to 5 is true to the best of my knowledge and belief.

DECLARANT

Declared at
By the said
Who is personally known to me/
introduced to me bythe
later being known to me in personally
in my presence this....day.....of20...



DECLARANT

BEFORE ME:

NAME: _____

ADDRESS: _____

DESIGNATION: COMMISSIONER FOR OATH

ANNEXURE 4

QUESTIONNAIRE FOR SHAREHOLDERS, MEMBERS OF THE GOVERNING BODY, SOLE PROPRIETOR AND CHIEF EXECUTIVE OFFICER OF THE APPLICANT

Part I: Instructions for Filling the QUESTIONNAIRE

- (i) This Questionnaire should be filled by each shareholder, member of the governing body, sole proprietor or chief executive officer of the applicant
- (ii) ALL answers should be TYPED or written in BLOCK LETTERS.
- (iii) No question should be left unanswered where the question does not apply, the Applicant should write "Not Applicable" or "N/A".
- (iv) In case of insufficient space, additional information may be provided on an attachment page and identify the continuation of an answer by stating the question number.
- (v) All dates should be in the following format: Day / Month / Year.
- (vi) Please ensure that all answers and information are true and correct. Failure to do so constitutes a criminal offence and can lead the Bank to reject an application or disqualify a director or Chief Executive Officer who has been cleared on the basis of untrue or incorrect information
- (vii) The following documents shall be submitted to the Bank with respect to each proposed shareholder, members of the governing body and Chief Executive Officer, or sole proprietor together with other documents the Bank may require-
 - a. Photocopy of the National ID or pages of the passport which contain personal information
 - b. Two certified passport size photographs; and
 - c. Credit reference report.

Part II: Personal Particulars

| | | |
|---|--------------------|-----------------|
| 1.Name of the applicant (entity or sole proprietor) | | |
| 2.Surname | | |
| 3.First Name(s) | | |
| 4.Middle Name | | |
| 5. Gender | | |
| 6.Are there any names by which you are also known as? | | |
| 7.Date of Birth | | |
| 8.Place of Birth | | |
| 9.Position to be held in the microfinance service provider | | |
| 10. National ID or Passport number. Attach certified copy of National ID or Passport, which contains personal information | National ID Number | Passport Number |
| | | |

| | |
|--|-----------------------------|
| 12. Current residential and official address | |
| Residential Address | Official Address |
| Plot number..... | Name of the Organization... |
| Block number..... | Block/Plot number..... |
| House No. | House No. |
| Street..... | Street..... |
| Ward | Ward..... |
| Postal Address..... | Postal Address..... |
| Phone No. | Phone No. |
| District | District |
| Region..... | Region..... |
| Country..... | Country..... |
| Email: | Email: |

Part III: Academic Qualifications

| 13. Details of academic qualifications | | | |
|--|---------------------------|---------------|---------------|
| Qualification | Educational Establishment | Awarding Body | Year Obtained |
| | | | |

Part IV: Professional Qualifications

| 14. Details of Professional qualifications (E.g.CPA, TIOB, ACA, ACCA, ACIB etc...). | | |
|---|----------------------------|---------------|
| Membership No. | Professional Qualification | Year Obtained |
| | | |

Part V: Employment History

| 16. Indicate your present occupation or employment. | | | |
|---|---------------|------------|---|
| Name of employer | Position Held | Start Date | Percentage of ownership (For self- employed only) |
| | | | |

If any of the answers to questions 18 to 32 are “Yes”, please give full particulars on a separate sheet of paper clearly stating the number of the question to which the details relate. Please note that no time restrictions apply to the matters you are asked to disclose. Any convictions and other facts must be stated.

| | |
|--|--|
| 18. Have you ever been involved in any litigation? If yes, provide details including any judgment. | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 19. Have you or any other body corporate, partnership or unincorporated institution to which you are, or have been associated with as a director, Chief Executive Officer, or officer ever applied for microfinance business to any jurisdiction for a license or other authority to carry on microfinance business or other related business (e.g insurance, mortgage finance, lease finance, etc.). Regardless of whether the application was successful or not. | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 20. Have you or anybody corporate, partnership or other entity to which you are, or have been associated with as a director, Chief Executive Officer, or officer been subject of an investigation by a government, professional or other regulatory body? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 21. Have you ever been subject of a disciplinary enquiry? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 22. Have you ever been suspended from any office or asked to resign? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 23. Have you been dismissed from any office of employment or barred from entry to any profession or occupation? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 24. Have you ever been disqualified from acting as a director, or from acting in the management or conduct of the affairs of the company, or any other entity? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 25. Have you ever been adjudged bankrupt by a court or entered into any compromise with creditors, or are you currently the subject of bankruptcy proceedings? Are you aware of any such proceedings pending? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 26. Have you ever failed to honour any credit obligation as borrower of any bank, financial institution, or other moneylending institution? | Yes <input type="checkbox"/> No <input type="checkbox"/> |

| | |
|--|---|
| <p>27. Have you failed to satisfy any debt adjudged due and payable by you as a judgment-debtor under an order of a court?</p> | <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> |
| <p>28. Has anybody corporate, partnership or any other institution with which you were associated as a director, Chief Executive Officer, officer been compulsory wound up, made any compromise, or arrangement with creditors, or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims.</p> | <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> |
| <p>29. In carrying out your duties, will you be acting on the directions or instruction of any other person?</p> | <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> |

DECLARATION BY THE APPLICANT

I hereby declare that, the content of this questionnaire is true to the best of my knowledge and belief. I am aware that should any information submitted herein be false, I may be liable to prosecution.

I undertake, that for as long as I continue to be a director or executive officer of the institution, I will notify the Bank of any material changes to, or affecting the completeness or accuracy of the information supplied by me as soon as possible, but in any event not later than 21 days from the day that the changes come to my attention.

I know and understand the content of this declaration. I have/do not have* objections to taking the prescribed oath. I consider the prescribed oath to be binding /not binding* on my conscience.

SIGNATURE OF APPLICANT

I certify that the above statement was taken by me and that the deponent has acknowledged that he*/she knows and understands the content of this statement. This statement was sworn to*/affirmed before the deponent's and me signature was placed thereon in my presence at.....

on thisday of two thousand and

COMMISSIONER OF OATHS

FULL NAMES: _____

ADDRESS: _____