



GUIDELINES ON FEES AND CHARGES FOR MICROFINANCE SERVICE PROVIDERS, 2024.

BANK OF TANZANIA

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**PART I
PRELIMINARY PROVISIONS**

Introduction	1. Bank of Tanzania is mandated to ensure integrity and stability of the financial system. In pursuit of the mandate, the Bank has developed Guidelines on fees and charges for Microfinance Service Providers (MSPs) through a consultative approach to balance business sustainability and protect financial consumers. Further, the Guidelines provide guidance on imposition of fees and charges on products and services offered by Microfinance Service Providers. The Guidelines aim to ensure imposition of prices is equitable to both consumers and Microfinance Service Providers, fostering competition and innovation in provision of financial services and products, and ultimately contribute to financial inclusion.
Citation	2. These Guidelines shall be cited as “ <i>Guidelines on Fees and Charges for Microfinance Service Providers, 2024</i> ”.
Authorization	3. These Guidelines are issued under the <i>Bank of Tanzania (Financial Consumer Protection) Regulations</i> .
Application	4. These Guidelines shall apply to Tier 2 Microfinance Service Providers operating in Tanzania Mainland.

Definitions	<p>5. In these Guidelines, unless the context requires otherwise: “Act” means The Microfinance Act, 2018. “Bank” means The Bank of Tanzania. “Consumer” has a meaning means a client or member of a microfinance service provider who acquires or intends to acquire the services of the microfinance service provider as ascribed to it under Microfinance Act, 2018. “Microfinance Service Providers” or MSP means an entity, or a person registered or licensed to undertake microfinance business including deposit and non-deposit taking. “Regulation” means the Bank of Tanzania (Financial Consumer Protection) Regulation, 2019. “Senior Management” means officers charged with oversight of daily operational activities of Microfinance. “Those Charged with Governance (TCWG)” means person(s) with responsibility for overseeing the strategic direction of the MSP and obligations related to the accountability of the MSP. “Tier 2” means non deposit taking microfinance service providers as referred to in the Act.</p>
Objectives	<p>6. The main objective of these Guidelines is to provide guidance to Microfinance Service Providers on imposition of fees and charges to financial products and services offered to consumers. Specifically, these Guidelines aim to -</p> <ul style="list-style-type: none"> (a) ensure fair and equitable imposition of fees and charges; (b) deter unfair fees and charges; (c) promote fair competition among Microfinance Service Providers; (d) spur innovation in provision of financial products and services; and (e) enhance access to and usage of formal financial products and services.
<p>PART II GOVERNANCE AND INTERNAL CONTROLS</p>	
Governance	<p>7. A Microfinance Service Provider shall establish an adequate governance arrangement for the management to ensure fair and equitable imposition of fees and charges on financial products and services offered to the public.</p>

Responsibilities of those charged with governance	<p>8. Those charged with governance for Microfinance Service Provider shall -</p> <ul style="list-style-type: none"> (a) approve and periodically review the strategy and policy for imposition of fees and charges; (b) clearly set the roles and responsibilities of senior management, internal organizational structures for the proper management of fees and charges on financial products and services; and (c) ensure the fees and charges on financial products and services are fair and equitable to both consumers and the Microfinance Service Provider.
Responsibilities of the Senior Management	<p>9. Senior Management of Microfinance Service Provider shall -</p> <ul style="list-style-type: none"> (a) develop and implement strategy and policy for imposition of fees and charges on financial products and services; (b) regularly review the effectiveness of the strategies, policy frameworks, and controls; (c) provide periodic reports related to imposition and revision of fees and charges on financial products and services to those charged with governance; and (d) ensure that the internal structures responsible for managing and controlling imposition of fees and charges are defined and have adequate resources, skills and expertise.
Internal Control	<p>10. A Microfinance Service Provider shall put in place adequate and appropriate internal controls on imposition of fees and charges on financial products and services.</p>
Policy for fees and charges	<p>11. A Microfinance Service Provider shall establish a policy for imposition of fees and charges, which at the minimum shall include -</p> <ul style="list-style-type: none"> (a) roles and responsibilities of those charged with governance and Senior Management in relation to management of fees and charges; (b) basis for imposition of fees and charges on financial products and services; and (c) contents and frequency of reporting of fees and charges to those charged with governance.
<p>PART III FEEES AND CHARGES</p>	
	<p>12. (1) A Microfinance Service Provider shall impose reasonable and affordable fees and charges.</p>

<p>Reasonable and affordable fees and charges</p>	<p>(2) In determining reasonability and affordability referred to in guideline 12 (1) a Microfinance Service Provider shall consider, among others, the following proportionate pricing attributes based on: -</p> <ul style="list-style-type: none"> (a) service and benefit offered or provided; (b) customer segment; (c) public good and marginalized groups; (d) cost options for services and products; and (e) customer’s needs and preferences.
<p>Lending Fees</p>	<p>13.(1) Lending fees and charges referred herewith shall include the following:</p> <ul style="list-style-type: none"> (a) management fees or charges; and (b) loan restructuring fees or charges. <p>(2) A Microfinance Service Provider shall ensure transparency and disclosure of all lending fees and charges in the agreement.</p> <p>(3) A Microfinance Service Provider may impose a one-off management fee that is reasonable and affordable.</p> <p>(4) Management fees and charges under Guideline 13 (3) shall include application and processing provided that it shall not include direct third-party fees noted in Guideline 6 below.</p> <p>(5) Notwithstanding with Guideline 13 (2), (3) and (4), a Microfinance Service Provider may impose a one-off loan restructuring fee to the existing loan facilities on the outstanding amount at a reasonable and affordable charge.</p> <p>(6) Without prejudice to Guideline 13 (2) to (5) A Microfinance Service Provider may impose fees or charges for payments made to th third parties on behalf of the consumer to fulfill regulatory requirements, which are payments for agent commission, credit reference report, search fees, title registration, discharge, and tracking device and any other fees and charges as may be approved by the Bank. However, such fees or charges shall not exceed the actual payments made to third parties.</p>

Insurance Fee	14. (1) A Microfinance Service Provider shall not charge insurance premium above the actual premium charged by the insurer.
	(2) Notwithstanding Guideline 14 (1) Microfinance Service Provider shall not charge insurance if the loan is not insured by a licensed insurance company.
Early settlement or cancellation fees	15. A Microfinance Service Provider may charge early settlement or cancellation fee only if such fee was clearly stipulated in the Loan Agreement.
Late repayment penalty	16. (1) A Microfinance Service Provider may charge a penalty for late repayment only if stipulated in the Loan Agreement.
	(2) Without prejudice to the requirement of Guideline 16 (1), no penalty shall be levied to the consumer where late repayment has been occasioned by a Microfinance Service Provider's negligence.
Prohibited Fees and Charges	17. (1) A Microfinance Service Provider shall not impose fees and charges that are part and parcel of own operating processes and or risk management practices to financial consumers.
	(2) Without prejudice to the generality of Guideline 17 (1), the following fees and charges are prohibited - <ul style="list-style-type: none"> (a) administrative; (b) maintenance; (c) handling of customer enquiries through call centers; (d) Issuance of loan statements; (e) chattel storage and management cost; (f) loan enhancement/refinancing/loan top up; (g) office expenses; and (h) passbook.
Other credit related services	18. (1) For other credit related services, fees and charges imposed by Microfinance Service Provider shall not exceed the actual costs incurred in offering those services.
	(2) Fees and charges for credit related services shall not be bundled under ambiguous terminologies such as administrative fees or miscellaneous costs.
	(3) A Microfinance Service Provider may impose fees and charges that does not exceed actual costs incurred on the following - <ul style="list-style-type: none"> (a) Photocopies of loan documents; and

	(b) Retrieval of documents.
PART IV DISCLOSURE REQUIREMENTS	
Disclosure	19.(1) A Microfinance Service Provider shall be required to comply with disclosure requirements provided under the Bank of Tanzania (Financial Consumer Protection) Regulations.
	(2) A Microfinance Service Provider shall publish interest rates, fees and charges, and other related costs annually in Kiswahili and English in conspicuous place in its premises and on any media with high coverage circulation in Tanzania.
	(3) A Microfinance Service Provider shall also submit information mentioned in Guideline 19 (2) to the Bank of Tanzania in electronic form.
PART V SANCTIONS AND PENALTIES	
Administrative Sanctions	20. The Bank shall impose on any Microfinance Service Provider any of the following sanctions for non-compliance - <ul style="list-style-type: none"> (a) suspension from operations for a period not exceeding one year; (b) suspension or order for withdrawal of financial product or service or advertisement materials; (c) suspension of management staff; (d) conditions, restrictions or cancellation of registration or license provided; (e) disqualification of management to carry out regulated activities; (f) publication of the names of offenders; (g) reprimands; and (h) other sanctions deemed appropriate.
Penalties	21.(1) The Bank may impose on any Microfinance Service Provider a fine or penalty not exceeding Tanzanian shillings twenty million for failure to adhere to the requirements of these Guidelines.
	(2) The penalty referred to in Guideline 21 (1) may apply to directors, officers or employees of the Microfinance Service Provider.

PART VI CIRCULARS AND DIRECTIVES	
Circulars and Directives	22. The Bank shall, notwithstanding the provisions of these Guidelines, from time to time, issue Circulars and/or Directives on fees and charges relating to specific financial services and products.
PART VII GENERAL PROVISIONS	
General Provisions	23. (1) A Microfinance Service Provider shall seek written approval from the Bank when intending to revise upward existing or imposing new fees and charges.
	(2) Applications for approval shall be submitted to the Bank in writing and shall at minimum contain the following: - (a) type of fees and charges; (b) existing fees and charges; (c) proposed fees and charges; and (d) the justification for the imposition of, or increase in, fees and charges.
	(3) A Microfinance Service Provider shall adopt the same terminology for fees and charges as stipulated in these Guidelines or any other name as may be approved by the Bank.
	(4) Notwithstanding guideline 23 (1), (2) and (3), a Microfinance Service Provider shall in the event of above the line marketing campaign notify the Bank of a downward change of fees and charges, provided the campaign will be of a specific period of time and upon the expiry of the period the fees and charges shall revert to its status quo.

Dodoma

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