Chief Executive’s Foreword

On behalf of the Capital Markets and Securities Authority (CMSA), I am honored to introduce to you the first edition of the Capital Markets Newsletter that will be published quarterly.

In implementing strategic initiatives under the Capital Markets Strategic Plan 2018/19-2022/23 CMSA is endeavors to ensure that all stakeholders including investors, issuers and the general public are updated and informed of the major developments that are happening in the sector through publication of articles in the newsletter and other sources of communication.

The newsletter features articles and information about current major events that have bearing on developments in the capital markets sector. The newsletter also features articles on different topics with the intention of educating the public about new trends and also provides information for training purposes for the Securities Industry Certification Programs and Continuous Profession Development Programs.

CMSA is grateful for the support and cooperation being accorded by the Government under the leadership of his Excellency President Dr. John Pombe Magufuli by putting in place enabling environment for the capital markets development. We remain committed to the trust and support that is accorded to CMSA and pledge for a continued cooperation with all our stakeholders, investors, issuers and the general public in the endeavor to further develop the capital markets sector.

It is our utmost trust that the publication of the capital markets newsletter serves as source of reliable industry updates and learning materials that enriches our readers. We will ensure that through the use of digital technology and other different communication channels the newsletter is widely distributed to different users and population segments.
The increase of financial and capital markets activities in the Country have created opportunities for the introduction of more financial services in the country. As such the demand for custodial service among others has increased over time thus pushing more commercial banks to offer this service.

Speaking during the launching of I&M Bank Custodial and Investment Services, Capital Markets and Securities Authority (CMSA), Chief Executive Officer Mr. Nicodemus Mkama said “Availability of custodial and investment services provide support to local and international investors who want to invest in our country especially as we are determined to attain the industrialized economy. In this regard, I&M Bank Custodial and Investment Services have come at the right time as custodial and investment services are increasingly important in the industrialization process as it requires substantial investments. Similarly, I can confidently say, the initiative by I&M Bank to introduce custodial and investment Services supports the efforts of the President of the United Republic of Tanzania, his Excellency Dr. John Pombe Joseph Magufuli of achieving a middle income economy.

He called upon local and international investors to utilize custodial services to make investments in the capital markets more efficiently and effectively. Mr. Mkama also urged the I & M Bank Board of Directors and Management to ensure that they play proactive role in bringing more vibrancy in the capital markets while ensuring compliance to the rules and regulations governing custodial services in protecting interest of the investors and integrity of the markets.

In August 2019, the I&M Bank ventured into custodial and investment services which is now being offered by seven out of forty (40) full-fledged Commercial Banks in Tanzania. “We decided to introduce the service after realizing that there is now increased demand from investors wanting such services” said Mr. Frank Bunuma, I&M Bank Assistant Manager for Custodial and Investment Services.

Increasing number of players who offers custodial services in the capital markets is expected to facilitate and simplify cross boarder trading of securities by foreign investors. Gracing the ceremony to hand over the practicing certificate to I &M Bank, Mr. Nicodemus Mkama, said “availability of custodial and investment services provide support to local and international investors who want to invest in our Country”.

The launching of Custodial and Investment Services of I&M Bank marked another milestone in the history of capital markets in Tanzania as I&M Bank joins a team of six (6) commercial banks previously approved by CMSA to provide custodial and investment services, raising the number to seven (7) out of more than 40 full- fledged registered commercial banks. Other commercial banks offering custodial services include, Azania Bank, CRDB bank, Standard Chartered bank, Stanbic Bank, NMB Bank and KCB Bank.
CMSA Continues to Increase the Level of Financial Literacy Among Students in Universities and Higher Learning Institutions

As part of implementation of strategies for National Financial inclusion Framework 2018 - 2022 for capital markets development in Tanzania, the Capital Markets and Securities Authority (CMSA) conducts a Capital Markets Universities and Higher Learning Institutions Challenge (CMUHLIC), which is a competition that is open to undergraduate students in Universities and Other Higher Learning Institutions in Tanzania mainland and Zanzibar conducted annually and being run by the CMSA. The Challenge for the year 2019/2020 was launched on 18th July 2019 in Dar es Salaam.

“The primary objective of the challenge is to increase financial inclusion and literacy for students in higher learning institutions by testing their knowledge and understanding on issues related to capital markets. It also tests their ability to apply their knowledge of capital markets to real life situations. This initiative is targeted to the youth as an important group in the upper age bracket of the population which has been left out on issues related to investments” said Mr. Nicodemus Mkama, Chief Executive Officer of the CMSA during the launching ceremony.

The challenge has been gaining popularity since it was initially launched in 2014/2015 when it registered 2,000 students; in 2016/17 the number increased to 7,900 and in 2017/18 it increased to 15,004 against a target of 10,000 students which is a success rate of 150.4%. This trend has raised awareness and therefore increased interest of students from all corners of the mainland and the islands to participate in the coming years. For the year 2019 the target is to reach 16,000 students said the Coordinator of the Challenge Mr. Charles Shirima. Clarifying on the strategies that have enabled the huge success rate, Mr. Shirima said that the use of digital technology in particular mobile telephone short messages (SMS) and through web based platforms; massive online campaigns and visitations to the universities and higher learning institutions countrywide have made it easy to inform the students and orient them on how to participate as well as making capital markets presentations.

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The experience from the past year’s participation has enhanced increased interest and awareness of capital markets to students of higher learning institutions. Furthermore the top winners of the competition have demonstrated notable competence in aspects of capital markets; self-confidence and exposure that has enabled them create self-employment opportunities in the capital markets sector as well as securing employment opportunities in different institutions including top consulting and advisory firms who are also active stakeholders in the capital markets industry.

Commenting her experience of participating in the challenge, one of the previous years’ winners who preferred anonymity said that ‘the experience of participating in the capital markets university challenge has made me a different person altogether of which I thank the CMSA management for organizing the competition. The exposure form the interviews made me get confidence of attending interviews, the experience of the study visit to Mauritius made us learn capital markets operations and peak a lot of new experience which can also be applied here at home. The amount of money that I was given as prize for becoming the second winner, I have invested it in the capital markets, so now I’m a proud young investor of shares listed at the DSE. Before participating in the challenge I did not know how to invest in the DSE. The CMSA have facilitated us and I’m planning to invest more in the future until I become a billionaire”
Hatifungani Unit Trust Scheme (Bond Fund) of UTT AMIS Plc

The Capital Markets and Securities Authority (CMSA) approved the Offer Document and Deed of Trust for establishment of a new fund called Hatifungani Unit Trust Scheme (Bond Fund) of UTT Asset Management and Investor Service PLC (UTT AMIS).

The establishment of Bond Fund marks an important milestone in the history of development of the Capital Markets in Tanzania as it is the first open-ended fixed income Scheme in the market which is open to both local and International investors. The Scheme is expected to contribute significantly to the growth of the Collective Investment Scheme (CIS) market in the country.

The Guest of Honor for the launching event which was held at Julius Nyerere International Convention Centre on 16th September 2019, the Permanent Secretary, Ministry of Finance and Planning, Doto James challenged CMSA, UTT and all stakeholders in the Capital Markets to embark on public education on benefits of investing in bonds as a way of developing a saving culture and take part in the national economic development agenda investing in the collective investment schemes.

He said though good job has so far been done by attaining the current over 145,000 investors, the number is still low compared to nearly 55 million Tanzanians in the CIS.

“UTT and all should create awareness to the general public on the opportunities available by investing in capital markets thus taking part in economic ownership through investments and related benefits such as safety of their money and being part of the economic development,” he said.

Mr James promised that his ministry would sign a performance agreement with the UTT-AMIS to push for performance by bringing on board more Tanzanians take part in the collective scheme in particular and Capital Markets in general.

The Managing Director of UTT-AMIS, Mr Simon Migangala assured the PS that in the newly launched unit trust scheme namely bond fund, all plans were carefully thought to ensure that more Tanzanians including those in rural areas can grab chance of investing in the new scheme.

“UTT-AMIS is looking to widen the participation of all Tanzanians by putting initial investment to as low as 50,000/- where bond fund offers annual, semiannual and monthly income distribution,” Migangala said.

On his part the Chief Executive Officer of the CMSA Mr. Nicodemus Mkama said, Hatifungani Unit Trust Scheme provides opportunities for investors to invest in low risk treasury bonds, listed corporate bonds and money market investments. “It will cater for needs of investors who wish to enjoy bond returns while maintaining flexibility in terms of being allowed to cash-in part of their investment. It will also provide an opportunity for investors to diversify across different maturities of bond investments and obtain returns even when the investment is kept for a short period of time”.

The minimum initial investment is as low as TZS 50,000 and there is no maximum limit. Minimum additional investment is as low as TZS 5,000. Investment is done by completing Application Form and depositing funds in the account of the Fund through branches of CRDB Bank and Licensed Dealing Members. Clients may also be able to invest electronically using USSD Code *150*82# or UTT AMIS App that may be downloaded from App Store or Play Store.
During the third quarter of 2019, the capital market industry experienced a continued increase in appetite for corporate bonds issuance in the Country. This was proved after third tranche of the 25 billion NMB’s three years Medium Term Note (MTN) was oversubscribed by 333 per cent. Another oversubscription experienced during the third quarter of 2019 was the Tanzania Mortgage Refinance Company (TMRC) five year Medium Term Note which was oversubscribed by 16 per cent the second tranche of the MTN commenced trading at the Dar es Salaam Stock Exchange (DSE) on 1st July 2019. “This oversubscription demonstrate confidence that investors in the capital markets and testimony of the 5th phase Government drive for economic development under the able leadership of his Excellency President Dr. John Joseph Magufuli for facilitating enabling environment for businesses to obtain financing for expansion of economic undertakings.

This is a clear testimony that there are right policies, operational, legal and a regulatory structure that enables the Government walk the dream of attaining middle income economy by 2025”. This was remarked by the Capital Markets and Securities Authority (CMSA) Chief Executive Officer Mr. Nicodemus Mkama during the listing of the 3rd tranche of the NMB Medium Term Note at the DSE on 2nd August 2019. NMB issued the third tranche of the Medium Term Note (MTN) worth 25 billion at a fixed coupon rate of 10 per cent per annum as approved by the CMSA which was first offered to the public from June 10th and July 8th 2019. A total of TZS 83.3 billion was raised compared to planned amount of TZS 25 billion representing a subscription level of 333 per cent.

This comes after two successful tranches issued by the Bank, the first tranche worth 20.9 billion was issued in June 2016 which was subscribed by 207 percent and the second tranche worth 20.0 billion was issued in December 2017 which was also subscribed by 116.5 per cent. “This shows that investors are very confident in the NMB’s future and the economy as a whole hence overwhelming support” said the NMB Banks Acting Managing Director, Ruth Zaipuna during the listing ceremony at the DSE on 2nd August 2019.

The NMB Bank PLC’s bond registered a milestone in the history of capital markets where it attracted retail investors from all over the country reflecting on increased awareness of the capital markets investment opportunities and concerted efforts on public education and implementation of CMSA’s initiatives under the National Financial Inclusion Framework for the capital markets industry. “This bond is the largest in history of corporate bonds in Tanzania. 99.9 of the investors in this bond are local investors while foreign investors were only 0.1 percent and 99.5 are retail investors while 0.5 percent are institutional investors” said CMSA’s Chief Executive Officer, Nicodemus Mkama.
According to Mr. Mkama, the CEO of CMSA, out of all investors, 61 percent were from outside Dar es Salaam. This includes 13 percent investors from North zone (Kilimanjaro, Arusha, Manyara, Tanga); 15 percent from Lake zone (Kagera, Mara, Mwanza, Geita, Simiyu and Shinyanga); 7 percent from Central Zone, (Dodoma, Singida, and Morogoro); 3 percent from Western Zone, (Kigoma, Tabora and Katavi) 14 percent from Southern highlands, (Iringa, Mbeya, Njombe and Rukwa); 3 percent from Southern zone, (Lindi, Mtwara and Ruvuma) while 6 percent are from the Coastal zone, (Pemba and Unguja).

During the third quarter of year 2019, TMRC raised Sh9.2 billion which is higher than the targeted amount of TZS 8 billion representing subscription rate of 116 per cent.

The second tranche of 120 billion allocations offered a coupon rate of 13.46 per cent which was higher by 2.84 per cent compared to a 10.62 per cent rate offered by the Treasury bond of May this year. This was the second segment of the TZS 120 billion MTN programme which the TMRC will issue in tranches in the next five years.

“Through the MTN, TMRC is another significant milestone that signifies confidence that investors have on the Company and the capital markets in Tanzania after a successfully first tranche issued in June 2018 was subscription of 4.3 per cent” said the TMRC Chief Executive Officer, Oscar Mgaya.
News in Picture

A combination of pictures during the official ceremony for the launch of I & M Bank Custodial and Investment Services which was held on 26th August 2019 in Dar es Salaam

A combination of pictures from various events for the Capital Markets Universities and Higher Institution Challenge 2018