



## **1.0 LICENSING REQUIREMENTS FOR COMMODITY EXCHANGE MARKET INTERMEDIARIES**

Commodity Exchange Market Intermediaries are corporate bodies duly licensed under the Commodity Exchange Act, 2015 [Act No: 19 of 2015] to provide services in the commodities exchanges and include any other person who is prescribed by the Capital markets and Securities Authority (CMSA) to be the market intermediary.

Capital Market and Securities Authority can grant license to only corporate bodies /Companies that are required to have licensed representatives who are natural persons.

## **2.0 TYPES OF LICENCES GRANTED BY THE AUTHORITY**

### **a) Commodity Broker:**

This must be a company that will deal in commodity contracts only in the capacity of an agent for the buyers and sellers of commodities.

### **b) Commodity Dealer**

This must be a company that will have a dual role in dealing in commodity contracts in the capacity of a principal for the commodity dealer or as an agent for or on behalf of buyers and sellers.

### **c) Commodity Trading Adviser**

This must also be in a form of a company which engage itself in the business of advising others either directly or through publications or writings as to the value of commodities or derivatives or as to the advisability of investing in, purchasing or selling commodities contracts.

### **d) Commodity pool operators**

This shall be companies that carry on a business in the nature of a collective investment scheme and who, in connection therewith, accept or receive from other persons funds, security or property, either directly or through capital contributions, the sale of shares or other forms of security or otherwise for the purpose of spot commodity trading.

## **3.0 THE ELIGIBILITY CRITERIA FOR COMPANIES**

A company that applies for any license to act as a market intermediary must meet fit and proper criteria for that particular regulated activity.

The fit and proper criteria are as follows:

- a) The company should not have been declared bankrupt;
- b) The company should not be in the course of being wound up;



- c) The company should not (whether inside or out site Tanzania) be in a compromise scheme or arrangement with its creditors;
- d) Capital Market and Securities Authority must be satisfied with the information as to the educational qualifications or experience of the officers in the applications who are to perform duties in connections with the holding of the license;
- e) The company should assure the Capital Market and Securities Authority that it will perform the duties of a holder of a license, efficiently honestly and fairly

In addition the company must comply with the following conditions:

- (a) must be duly incorporated under the Companies Act (Cap. 212) or in the case of a foreign companies, must comply with the registration requirements of foreign companies under the Companies Act and the requirements of section 42 of the Commodity Exchanges Act, 2015;
- (b) must have Memorandum and Articles of association which expressly empowers the company to undertake the business in which the license is sought;
- (c) must have a representative who meet all criteria set out in paragraph 4.2.
- (d) must comply with the financial requirements set out in the Financial Requirements Regulations including the capital adequacy and liquidity margin ratios as follows:
  - (i) for licensed commodity brokers or dealers shall maintain at all times sufficient liquid asset to –
    - (aa) promptly satisfy their liabilities;
    - (bb) provide a cushion of liquid assets in excess of liabilities to cover potential market, credit and other risks if they should be required to liquidate;
    - (cc) the net capital shall be not be less than 120% of its required minimum monetary value of its net capita;
    - (dd) the aggregate indebtedness (i.e. all liabilities or customer related receivables (money owed to the broker or dealer by customers) as computed by the reserve requirements remain 18% ;
    - (ee) the customer funds shall not be more than 4%.
    - (ff) the broker-dealer shall first determine its equity in accordance with IFRS.
    - (gg) the net capital shall be as defined in the International Financial Reporting Standards as shown below:  
TOTAL CAPITAL (equity plus allowable subordinate debt or credits)-  
ILLIQUID ASSETS (unsecured receivables, operational charges and proprietary positions) = NET CAPITAL (of which aggregate indebtedness shall not exceed 18%
    - (hh) the customer related receivable or customer funds shall not be more than 4%)



- (e) maintain and operate effective organizational and administrative structures, systems, policies and procedures to ensure-
- (i) compliance by its managers and employees with the obligations of the company;
  - (ii) ensuring all reasonable steps to prevent conflicts of interest from adversely affecting the interests of its clients;
  - (iii) ensuring all reasonable steps to ensure continuity and regularity in the performance of its business particularly the employment of appropriate and proportionate systems, personnel, resources and procedures;
  - (iv) sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems;
  - (v) prevention of money laundering and financing of terrorism in particular having in place detection manuals and policies including, procedures for conducting customers due diligence and reporting of suspicious transactions to the Authority and to the Financial Intelligence Unit;
  - (vi) proper record keeping of all services and transactions undertaken to enable the Authority to monitor compliance with the requirements of the Act, and in particular to ascertain that the licensee has complied with all obligations with respect to clients and potential clients;
  - (vii) when holding clients' property, will make adequate arrangements to safeguard clients' ownership rights, especially in the event of its insolvency, and to prevent the use of a clients' property on own account except with the client's express consent;
  - (viii) when holding clients' funds, will make adequate arrangements to safeguard the client's rights and to prevent the use of clients' funds for its own use;
  - (ix) has, and is able to maintain, the minimum paid up capital prescribed having regard to the nature and type of regulated activity to be provided;

#### **4.0 ELIGIBILITY CRITERIA FOR REPRESENTATIVES OF MARKET INTERMEDIARIES**

##### **4.1 TYPES OF REPRESENTATIVES:**

###### **a) Commodity broker's representative**

Must be a natural person to act for, or by arrangement with a commodity broker to perform any of the functions of that commodity broker in connection with trading in commodities.



- b) **Commodity dealer's representative**  
Must be natural persons licensed by the Authority to act for, or by arrangement, with a commodity dealer, to perform any of the functions of that commodity dealer in connection with dealing in commodity contracts.
- c) **Commodity trading adviser's representative**  
Must be natural persons in the employment of, or acting for, or by arrangement with a commodity trading adviser, to performs for that commodity trading adviser any of the functions of a commodity trading adviser other than work ordinarily performed by accountants, clerks or cashiers by way of salary, wages, commission or otherwise
- d) **Commodity pool operator representatives**  
Must be a natural person in the direct employment of, or acting for, or by arrangement with, a spot commodity pool operator, to perform for that commodity pool operator any of the functions of a commodity pool operator

#### **4.2 ELIGIBILITY CRITERIA OF REPRESENTATIVES**

- a. must be a natural person or individual who wishes to act as representatives of an intermediaries;
- b. should not have been declared/adjudged bankrupt
- c. should not have been convicted in Tanzania or elsewhere of an offence involving fraud or dishonesty punishable on conviction with imprisonment for a term of three months or more.
- d. should not be of bad reputation or character.
- e. have passed an examination or undertaken such training as may be required or recognized by the Authority
- f. appointed by the licensed market intermediary.
- g. should have a bachelor degree as minimum requirement, master's and doctorate degree are added advantage in any of the following fields:-
  - i) economics
  - ii) finance
  - iii) business and personal financial services marketing operations,
  - iv) investment and securities,
  - v) sales agent in securities and commodities, securities,
  - vi) commodities and financial services sale agent,
  - vii) financial planning and services,
  - viii) Investment and securities
  - viii) programs covering a combination of agriculture, marketing, investment and financial market,
  - ix) a strong background in specific commodities trading such as practical experience through internship opportunities at brokerage houses and investment firms through a school's relevant degree program and any related subject as may deemed fit.



## 5.0 FORM AND MANNER OF APPLICATION FOR MARKET INTERMEDIARIES LICENSE

Applications for a license shall:-

- a) be made in writing by completing and submitting to the Capital Markets and Securities Authority application form for Market Intermediaries available at **Capital Markets and Securities Authority office** and the website, **www.cmsa-tz.org**
- b) provide the Authority with sufficient information about the-
  - (i) services which the applicant will hold himself out as being able to provide if the license is granted;
  - (ii) business which the applicant proposes to carry on and to which the application relates, and about any person whom the applicant proposes to employ or with whom the applicant intends to be associated in the course of carrying on the business;
  - (iii) applicant's shareholders and governance structure;
  - (iv) applicant's internal organization structure and operational systems;
  - (v) individuals whom the applicant proposes to employ;
  - (vi) individuals whom the applicant proposes to direct and manage the business or whom the applicant otherwise intends to be associated with in the course of carrying on its business; and
  - (vii) location of all premises at which the records or other documents of the business in respect of which the application is made are to be kept,

The applications shall be accompanied by all supporting documents and annexures requested in the forms together with any information, documentation or confirmations from the Applicant or any person as may be required by the Capital Market and Securities Authority.

**(For more information, please contact)**

Acting Chief Executive Officer  
Tanzania Mercantile Exchange PLC  
4<sup>th</sup> Floor, New LAPF Tower,  
P.O Box 31632, Dar es Salaam  
Telephone: +255 22 2129724  
Email: [tmxplc@gmail.com](mailto:tmxplc@gmail.com)

the Chief Executive Officer  
Capital Markets and Securities Authority  
6<sup>th</sup> Floor, PPF Tower, Ohio/Garden Avenue  
P. o. Box 75713 Dar es Salaam  
Telephone; +255 22 2114959/61  
email: [info@cmsa-tz.org](mailto:info@cmsa-tz.org)